UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X]

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

For the quarterly period ended **March 31, 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	**58-1407235**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

96 CUMMINGS POINT ROAD, STAMFORD, CONNECTICUT 06902

(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 [X] 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 [X]	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 [X]

Class	Outstanding at May 11, 2011
Common stock, $ 1.00 par value	**15,833,083 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.

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)

	March 31, 2011 (unaudited)	December 31, 2010
ASSETS:		
Investments:		
Short-term investments	$ 50	$ 53
Securities purchased under agreements to resell	20,778	41,081
Fixed maturities, available-for-sale	786,021	793,656
Equity securities, available-for-sale	53,829	48,073
Other investments	38,023	36,864
Total investments	898,701	919,727
Cash and cash equivalents	11,438	11,426
Due from securities brokers	12,288	15,022
Deferred acquisition costs	43,577	43,465
Due and unpaid premiums	45,838	48,586
Due from reinsurers	155,220	154,243
Premium and claim funds	39,758	37,646
Notes and other receivables	17,247	16,766
Goodwill	51,713	51,713
Other assets	65,317	63,198
TOTAL ASSETS	$ 1,341,097	$ 1,361,792
LIABILITIES AND STOCKHOLDERS EQUITY:		
LIABILITIES:		
Insurance reserves-health	$ 181,345	$ 181,447
Insurance reserves-life and annuity	278,923	278,000
Funds on deposit	409,933	408,566
Unearned premiums	4,212	4,043
Policy claims-health	15,794	16,521
Policy claims-life	11,666	11,809
Other policyholders' funds	20,563	20,195
Due to securities brokers	8,788	32,469
Due to reinsurers	30,349	31,554
Accounts payable, accruals and other liabilities	71,122	70,497
Liabilities related to discontinued operations	-	771
Debt	7,500	7,500

Junior subordinated debt securities		38,146		38,146
TOTAL LIABILITIES		1,078,341		1,101,518
STOCKHOLDERS EQUITY:				
IHC STOCKHOLDERS' EQUITY:				
Preferred stock (none issued)		-		-
Common stock $1.00 par value, 20,000,000 shares authorized; 16,072,238 and 15,472,020 shares issued; 15,833,083 and 15,232,865 shares outstanding		16,072		15,472
Paid-in capital		105,868		101,003
Accumulated other comprehensive income		552		633
Treasury stock, at cost 239,155 shares		(1,917)		(1,917)
Retained earnings		118,601		115,437
TOTAL IHC STOCKHOLDERS EQUITY		239,176		230,628
NONCONTROLLING INTERESTS IN SUBSIDIARIES		23,580		29,646
TOTAL EQUITY		262,756		260,274
TOTAL LIABILITIES AND EQUITY	$	1,341,097	$	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)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
REVENUES:		
Premiums earned:		
Health	$ 75,723	$ 61,842
Life and annuity	10,150	9,042
Net investment income	10,116	9,371
Fee income	7,377	7,560
Net realized investment gains (losses)	(202)	349
Other-than-temporary impairment losses	(303)	(1,626)
Equity income from AMIC	-	280
Gain on bargain purchase of AMIC	-	27,830
Other income	1,458	1,702
	104,319	116,350
EXPENSES:		
Insurance benefits, claims and reserves:		
Health	50,576	43,563
Life and annuity	13,673	13,265
Selling, general and administrative expenses	35,986	31,435
Amortization of deferred acquisitions costs	1,691	1,318
Interest expense on debt	457	471
	102,383	90,052
Income from continuing operations before income taxes	1,936	26,298
Income taxes (benefits)	(1,864)	9,921
Income from continuing operations	3,800	16,377
Discontinued operations:		
Loss from discontinued operations	-	(127)
Net income	3,800	16,250
Less income from noncontrolling interests in subsidiaries	(616)	(216)
NET INCOME ATTRIBUTABLE TO IHC	$ 3,184	$ 16,034
Basic income (loss) per common share:		
Income from continuing operations	$ .21	$ 1.06
Loss from discontinued operations	-	(.01)
Basic income per common share	$ .21	$ 1.05

WEIGHTED AVERAGE SHARES OUTSTANDING		15,479		15,341
Diluted income (loss) per common share				
Income from continuing operations	$	.21	$	1.05
Loss from discontinued operations		-		(.01)
Diluted income per common share	$	.21	$	1.04
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING		15,483		15,345

See the accompanying Notes to Condensed Consolidated Financial Statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
THREE MONTHS ENDED MARCH 31, 2011 (In thousands)

	COMMON STOCK	PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK, AT COST	RETAINED EARNINGS	TOTAL IHC STOCKHOLDERS' EQUITY	NON- CONTROL INTEREST SUBSIDIA
BALANCE AT DECEMBER 31, 2010	$ 15,472	$ 101,003	$ 633	$ (1,917)	$ 115,437	$ 230,628	$ 2
Net income					3,184	3,184	
Net change in unrealized gains (losses)			(94)			(94)	
Total comprehensive income						3,090	
Acquire noncontrolling interests in American Independence Corp.	600	4,430	13			5,043	(
Acquire noncontrolling interests in Wisconsin Underwriting Associates		391				391	
Share-based compensation expenses and related tax benefits		(2)				(2)	

Distributions to noncontrolling interests							
Other capital transactions		46			(20)	26	
BALANCE AT MARCH 31, 2011	$ 16,072	$ 105,868	$ 552	$ (1,917)	$ 118,601	$ 239,176	$ 2

See the accompanying Notes to Condensed Consolidated Financial Statements.

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INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2011	2010
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES:		
Net income	$ 3,800	$ 16,250
Adjustments to reconcile net income to net change in cash from operating activities:		
Gain on bargain purchase of AMIC	-	(27,830)
Loss from discontinued operations	-	127
Amortization of deferred acquisition costs	1,691	1,318
Net realized investment (gains) losses	202	(349)
Other-than-temporary impairment losses	303	1,626
Equity income from AMIC and other equity method investments	(542)	(379)
Depreciation and amortization	1,123	1,164
Share-based compensation expenses	138	179
Deferred tax (benefit) expense	(605)	11,894
Other	878	110
Changes in assets and liabilities:		
Change in insurance liabilities	279	(13,878)
Additions to deferred acquisition costs, net	(1,722)	(1,021)
Change in net amounts due from and to reinsurers	(2,181)	9,243
Change in premium and claim funds	(2,112)	9,540
Change in current income tax liability	(1,621)	(2,464)
Change in due and unpaid premiums	2,748	6,422
Change in other assets	(1,122)	282
Change in other liabilities	1,279	(13,292)
Net change in cash from operating activities of continuing operations	2,536	(1,058)
Net change in cash from operating activities of discontinued operations	-	(408)
Net change in cash from operating activities	2,536	(1,466)
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES:		
Change in net amount due from and to securities brokers	(20,947)	(25,744)
Net sales of securities under resale and repurchase agreements	20,303	21,806
Sales of equity securities	14,993	18,115
Purchases of equity securities	(19,015)	(6,530)
Sales of fixed maturities	89,904	147,571
Maturities and other repayments of fixed maturities	17,799	29,891
Purchases of fixed maturities	(103,417)	(183,739)
Additional investments in other investments, net of distributions	(617)	293

Cash acquired in acquisition of AMIC, net of cash paid	-	4,562
Cash paid in acquisitions of companies, net of cash acquired	-	(3,469)
Cash paid in acquisitions of noncontrolling interests in AMIC	(1,000)	-
Cash received in acquisition of policy blocks	-	1,194
Change in notes and other receivables	(481)	1,134
Other	(372)	(402)
Net change in cash from investing activities	(2,850)	4,682
CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	-	-
Repurchases of common stock	-	(1,254)
Excess tax expense from expirations of stock options	(117)	(8)
Proceeds of investment-type insurance contracts	803	2,955
Dividends paid	(381)	(386)
Other	21	-
Net change in cash from financing activities	326	1,307
Net change in cash and cash equivalents	12	4,523
Cash and cash equivalents, beginning of year	11,426	7,394
Cash and cash equivalents, end of period	$ 11,438	$ 11,917

See the accompanying Notes to Condensed Consolidated Financial Statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1.

Significant Accounting Policies and Practices

(A)

Business and Organization

Independence Holding Company, a Delaware corporation ("IHC"), is a holding company principally engaged in the life and health insurance business through: (i) its wholly owned insurance companies, Standard Security Life Insurance Company of New York ("Standard Security Life") and Madison National Life Insurance Company, Inc. ("Madison National Life"); (ii) its majority owned insurance company, Independence American Insurance Company (Independence American); and (iii) its marketing and administrative companies, including IHC Administrative Services, Inc., managing general underwriters ("MGUs") in which it owns a significant voting interest, IHC Health Solutions, Inc. (IHC Health Solutions), Actuarial Management Corporation (AMC), MedWatch, LLC and Hospital Bill Analysis, LLC. These companies are sometimes collectively referred to as the "Insurance Group," and IHC and its subsidiaries (including the Insurance Group) are sometimes collectively referred to as the "Company." At March 31, 2011, IHC also owns a 63.0% interest in American Independence Corp. (AMIC).

Geneve Corporation, a diversified financial holding company, and its affiliated entities held approximately 52% of IHC's outstanding common stock at March 31, 2011.

(B)

Basis of Presentation

The Condensed Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The Condensed Consolidated Financial Statements include the accounts of IHC and its consolidated subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect: (i) the reported amounts of assets and liabilities; (ii) the disclosure of contingent assets and liabilities at the date of the financial statements; and (iii) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. IHC s annual report on Form 10-K as filed with the Securities and Exchange Commission should be read in conjunction with the accompanying Condensed Consolidated Financial Statements.

In the opinion of management, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods have been included. The condensed consolidated results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results to be anticipated for the entire year.

(C)

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In December 2010, the FASB issued guidance that clarifies the existing requirements for pro forma revenue and earnings disclosures, and expands the supplemental pro forma revenue and earnings disclosures, for public companies that have completed business acquisitions. The amendments in this guidance were effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this guidance, effective January 1, 2011, did not have a material effect on the Company s consolidated financial statements.

In December 2010, the FASB issued guidance that amends existing goodwill impairment test standards to include a requirement that entities perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts if it is more likely than not that an impairment exists. This guidance was effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this guidance, effective January 1, 2011, did not have a material effect on the Company s consolidated financial statements.

In January 2010, the FASB issued standards requiring entities to provide the activity of Level 3 security purchases, sales, issuances, and settlements on a gross basis, which was effective for fiscal years beginning after December 15, 2010. The adoption of this guidance, effective January 1, 2011, did not have a material effect on the Company's consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In April 2011, the FASB issued guidance that amends existing standards with regards to transfers of financial assets under repurchase and other agreements that entitle and obligate the transferor to repurchase or redeem the assets prior to maturity. Specifically, with respect to assessing effective control in such agreements, the criteria that the transferor must have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even upon the transferee's default, has been eliminated; as has the corresponding criterion calling for the transferor to have obtained cash or other sufficient collateral to purchase replacement assets from a third party, which was required to demonstrate such ability. This guidance is effective for the first interim or annual period beginning after December 15, 2011. The adoption of this guidance is not expected to have a material effect on the Company s consolidated financial statements.

In October 2010, the FASB issued guidance that specifies the accounting treatment for the costs incurred by insurance entities when acquiring new and renewal insurance contracts. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 and should be applied prospectively upon adoption. The Company is currently evaluating the potential impact the amendments in this update will have on its consolidated financial statements.

(D) Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The Company has evaluated all such events occurring subsequent to the balance sheet date herein of March 31, 2011. The effects of all subsequent events that provided additional evidence about conditions that existed at the date of the balance sheet, including estimates, if any, have been recognized in the accompanying Condensed Consolidated Balance Sheet and Condensed Consolidated Statements of Operations as of and for the three-month period ended March 31, 2011. The Company did not recognize subsequent events that provided evidence about conditions that arose after the balance sheet date.

Note 2.

American Independence Corp.

AMIC is an insurance holding company engaged in the insurance and reinsurance business. AMIC does business with the Insurance Group, including reinsurance treaties under which, in 2010, Standard Security Life and Madison National Life ceded to Independence American an average of 20% of their medical stop-loss business, 8% of a majority of their fully insured health business and 20% of their New York Statutory Disability business.

In January 2011, a subsidiary of IHC acquired 200,000 shares of AMIC common stock from a noncontrolling interest for $1,000,000 cash. In February and March 2011, IHC acquired an aggregate 900,325 shares of AMIC common stock from noncontrolling interests in exchange for the issuance of an aggregate 600,218 shares of IHC s common stock in various private placements of unregistered securities under Section 4(2) of the Securities Act of 1933, as amended. Accordingly, the shares are "restricted securities", subject to a legend and will not be freely tradable in the United States until the shares are registered for resale under the Securities Act, or to the extent they are tradable under Rule 144 promulgated under the Securities Act or any other available exemption. As a result of these transactions, the Company: (i) recorded a $95,000 credit to paid-in capital representing the difference between the fair value of the consideration paid and the carrying value of the noncontrolling interest; and (ii) increased its ownership interest in AMIC to 63.0%.

Acquisition of AMIC in 2010

In March 2010, IHC acquired a controlling interest in AMIC as a result of the purchase of AMIC common stock in the open market. The principal reasons for acquiring control were: (i) the low market price of the AMIC stock; (ii) the improved financial presentation for IHC resulting from the consolidation of financial reporting; and (iii) a closer relationship that will create greater long-term value for both companies. The acquisition furthers IHC's goal of creating efficiencies by integrating the back office operations of our MGUs and marketing companies. Share purchases of 27,668 shares, or $141,000, through March 5, 2010 (the "Acquisition Date"), totaling 0.33% of voting equity interest, brought the total of AMIC shares owned by the Company to more than 50% of AMIC's outstanding common stock and as a result, IHC has included AMIC s consolidated assets and liabilities and results of operations, subsequent to the Acquisition Date, in its condensed consolidated financial results.

In determining the bargain purchase gain with regard to the acquisition of the controlling interest in AMIC, IHC first recognized a gain of $2,201,000 as a result of remeasuring its equity interest in AMIC to its fair value of $22,013,000 immediately before the acquisition based on the closing market price of AMIC's common stock. Then, upon the acquisition of a controlling interest on March 5, 2010, the Company consolidated the net assets of AMIC. Accordingly, the Company determined the fair value of the identifiable assets acquired and liabilities assumed from AMIC on the Acquisition Date. The fair value of the net assets acquired exceeded the sum of: (i) the fair value of the consideration paid; (ii) the fair value of IHC s equity investment prior to the acquisition; and (iii) the fair value of the noncontrolling interests in AMIC, resulting in a bargain purchase gain of $25,629,000. The total gain, amounting to $27,830,000, pre-tax, is included in gain on bargain purchase of AMIC on the Company s Condensed Consolidated Statement of Operations. This gain is a result of the quoted market price of AMIC being significantly less than the fair value of the net assets of AMIC. This disparity is due to the low trading volume in AMIC shares, and a discount on the shares traded due to a lack of control by minority shareholders. The fair value of the noncontrolling interests in AMIC was based on the closing market price of AMIC s common stock on the Acquisition Date.

In connection with the acquisition, the Company recorded $12,200,000 of intangible assets. Of this amount, $1,700,000 represents the fair value of agent and marketing contracts and relationships, $1,000,000 represents the fair value of a domain name, and $2,000,000 represents the fair value of customer lists and all are amortizable over the life of the respective intangible asset. The remaining $7,500,000 represents non-amortizable intangible assets consisting of the fair value of insurance licenses with indefinite lives. As the

AMIC acquisition was accounted for as a bargain purchase, the Company did not record goodwill in connection with the transaction.

The following table presents the identifiable assets acquired and liabilities assumed in the acquisition of AMIC on the Acquisition Date based on their respective fair values (in thousands).

Investments	$	58,418
Cash and cash equivalents		4,761
Identifiable intangible assets		12,200
Deferred tax assets, net		10,654
Other assets		31,127
Total identifiable assets		117,160
Insurance liabilities		27,671
Other liabilities		19,023
Total liabilities		46,694
Net identifiable assets acquired		70,466
Purchase consideration		(71)
Fair value of equity investment prior to the acquisition		(22,013)
Noncontrolling interests in AMIC		(22,065)
Elimination of the fair value adjustment related to AMIC s investment in Majestic		(688)
Gain on bargain purchase		25,629
Gain on fair value of equity investment prior to the acquisition		2,201
Total gain on bargain purchase of AMIC, pretax		27,830
Deferred income taxes		11,097
Total gain on bargain purchase of AMIC, after tax	$	16,733

For the period from the Acquisition Date to March 31, 2010, the Company s Condensed Consolidated Statement of Operations includes revenues and net income of $7,616,000 and $367,000, respectively, from AMIC.

The unaudited pro forma revenues and operating results, had the acquisition occurred as of the beginning of the quarter ended March 31, 2010, were $ 102,121,000 and $ (12,000), respectively. The unaudited pro forma information presented is not indicative of the results of operations in future periods, nor does it necessarily reflect the results of operations that would have resulted had the acquisition been completed as of the beginning of the applicable period. Pro forma adjustments to revenues principally reflect the elimination of intercompany fee income, the elimination of the Company s equity income related to AMIC and the elimination of the gain resulting from the bargain purchase. Pro forma adjustments to net income principally reflect the elimination of the Company s equity income related to AMIC and the elimination of the gain resulting from the bargain purchase.

During the period from January 1, 2010 to the Acquisition Date (the Stub Period), IHC recorded $280,000 of equity income from its investment in AMIC, representing IHC's proportionate share of income based on its ownership interest during that period. AMIC paid no dividends on its common stock during the Stub Period.

The following disclosures summarize the effects of certain transactions between IHC and its subsidiaries with AMIC during the Stub Period. Subsequent to the Acquisition Date, the effects of these transactions are eliminated in consolidation. IHC and its subsidiaries recorded income of $208,000 from service agreements with AMIC and its subsidiaries. These are reimbursements to IHC and its subsidiaries, at agreed upon rates including an overhead factor, for management services provided by IHC and its subsidiaries, including accounting, legal, compliance, underwriting and claims. The Company ceded premiums to AMIC of $5,867,000. Benefits to policyholders on business ceded to AMIC were $3,020,000. Additionally, AMIC subsidiaries market, underwrite and provide administrative services (including premium collection, medical management and claims adjudication) for a substantial portion of the Medical Stop-Loss business written by the insurance subsidiaries of IHC. IHC recorded gross premiums of $8,452,000 and net commission expense of $326,000 for these services. The Company also contracts for several types of insurance coverage (e.g. directors and officers and professional liability coverage) jointly with AMIC. The cost of this coverage is allocated between the Company and AMIC according to the type of risk, and IHC s portion is recorded in Selling, General and Administrative Expenses.

Note 3.

Income Per Common Share

For the three months ended March 31, 2011 and 2010, income per share calculations, based on income from continuing operations attributable to the common shareholders of IHC, are shown below (in thousands):

	Three Months Ended March 31,			
		2011		**2010**
Income from continuing operations	$	3,800	$	16,377
Less income from noncontrolling interests in subsidiaries		(616)		(216)
Income from continuing operations attributable to IHC shareholders, net of tax		3,184		16,161
Loss from discontinued operations, net of tax		-		(127)
Net income attributable to IHC shareholders	$	3,184	$	16,034

Included in the diluted income per share calculations for both the three months ended March 31, 2011 and 2010 are 4,000 incremental shares, from the assumed exercise of dilutive stock options and the assumed vesting of dilutive restricted stock, computed using the treasury stock method.

Note 4.

Investments

The cost (amortized cost with respect to certain fixed maturities), gross unrealized gains, gross unrealized losses and fair value of investment securities are as follows:

	March 31, 2011			
	AMORTIZED COST	**GROSS UNREALIZED GAINS**	**GROSS UNREALIZED LOSSES**	**FAIR VALUE**
		(In thousands)		
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	$ 264,192	$ 2,989	$ (3,893)	$ 263,288
CMOs- residential (1)	39,528	7,164	(2,745)	43,947
CMOs - commercial	1,447	-	(697)	750
U.S. Government obligations	13,699	306	(2)	14,003
Agency MBS - residential (2)	9,567	187	(8)	9,746
GSEs (3)	71,772	395	(432)	71,735
States and political subdivisions	387,663	1,675	(6,786)	382,552
Total fixed maturities	$ 787,868	$ 12,716	$ (14,563)	$ 786,021
EQUITY SECURITIES AVAILABLE-FOR-SALE:				
Common stocks	$ 7,328	$ 400	$ (102)	$ 7,626
Preferred stock - perpetuals	34,117	1,047	(271)	34,893
Preferred stock - with maturities	9,790	1,520	-	11,310
Total equity securities	$ 51,235	$ 2,967	$ (373)	$ 53,829

	December 31, 2010			
	AMORTIZED COST	**GROSS UNREALIZED GAINS**	**GROSS UNREALIZED LOSSES**	**FAIR VALUE**
	(In thousands)			
FIXED MATURITIES AVAILABLE-FOR-SALE:				

Corporate securities	$	272,061	$	3,595	$	(3,661)	$	271,995
CMOs - residential [1]		58,829		6,662		(1,847)		63,644
CMOs - commercial		1,447		-		(639)		808
U.S. Government obligations		16,617		351		-		16,968
Agency MBS - residential [2]		10,069		206		(51)		10,224
GSEs [3]		70,199		510		(182)		70,527
States and political subdivisions		365,578		2,070		(8,158)		359,490
Total fixed maturities	$	794,800	$	13,394	$	(14,538)	$	793,656
EQUITY SECURITIES AVAILABLE-FOR-SALE:								
Common stocks	$	4,600	$	167	$	(98)	$	4,669
Preferred stock - perpetuals		31,530		1,065		(315)		32,280
Preferred stock - with maturities		9,790		1,334		-		11,124
Total equity securities	$	45,920	$	2,566	$	(413)	$	48,073

(1)

Collateralized mortgage obligations (CMOs).

(2)

Mortgage-backed securities (MBS).

(3)

Government-sponsored enterprises (GSEs) which are the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association and Federal Home Loan Banks. GSEs are private enterprises established and chartered by the Federal Government.

Unrealized gains (losses) on certain preferred stocks with maturities at March 31, 2011 and December 31, 2010 include $1,763,000 related to the non-credit related component of other-than-temporary impairment losses recorded in accumulated other comprehensive income in prior periods.

The amortized cost and fair value of fixed maturities at March 31, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The average life of mortgage-backed securities is affected by prepayments on the underlying loans and, therefore, is materially shorter than the original stated maturity.

	AMORTIZED COST	FAIR VALUE	% OF TOTAL FAIR VALUE
	(In thousands)		
Due in one year or less	$ 35,405&nbs		