

INDEPENDENCE HOLDING CO
Form 10-Q
August 11, 2011

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

FORM 10-Q

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

For the quarterly period ended **June 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

58-1407235

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(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 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

Outstanding at August 5, 2011

Common stock, \$ 1.00 par value

15,833,215 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)

June 30, 2011

December 31, 2010

(Unaudited)

ASSETS:

Investments:

Short-term investments

\$

50

\$

53

Securities purchased
under agreements to
resell

13,980

41,081

Fixed maturities,
available-for-sale

817,257

793,656

Equity securities,
available-for-sale

54,142

48,073

Other investments

37,731

36,864

Total investments

923,160

919,727

Cash and cash
equivalents

11,309

11,426

Due from securities
brokers

17,421

15,022

Deferred acquisition
costs

42,466

43,465

Due and unpaid
premiums

43,095

48,586

Due from reinsurers

156,067

154,243

Premium and claim
funds

37,102

37,646

Notes and other
receivables

17,494

16,766

Goodwill

51,713

51,713

Other assets

57,592

63,198

TOTAL ASSETS

\$

1,357,419

\$

1,361,792

**LIABILITIES AND
EQUITY:**

LIABILITIES:

Insurance
reserves-health

\$

182,064

\$

181,447

Insurance reserves-life
and annuity

278,673

278,000

Funds on deposit

413,685

408,566

Unearned premiums

3,310

4,043

Policy claims-health

15,458

16,521

Policy claims-life

11,443

11,809

Other policyholders'
funds

20,756

20,195

Due to securities
brokers

18,338

32,469

Due to reinsurers

30,349

31,554

Accounts payable,
accruals and other
liabilities

66,966

70,497

Liabilities related to
discontinued operations

-

771

Debt

7,500

7,500

Junior subordinated
debt securities

38,146

38,146

**TOTAL
LIABILITIES**

1,086,688

1,101,518

EQUITY:

**IHC
STOCKHOLDERS'
EQUITY:**

Preferred stock (none
issued)

-

-

Common stock \$1.00
par value, 20,000,000
shares authorized;

16,080,270 and
15,472,020 shares
issued;

15,833,215 and
15,232,865 shares
outstanding

16,080

15,472

Paid-in capital

105,960

101,003

Accumulated other
comprehensive income
(loss)

5,393

633

Treasury stock, at cost
247,055 and 239,155
shares

(1,998)

(1,917)

Retained earnings

121,212

115,437

**TOTAL IHC
STOCKHOLDERS
EQUITY**

246,647

230,628

**NONCONTROLLING
INTERESTS IN
SUBSIDIARIES**

24,084

29,646

TOTAL EQUITY

270,731

260,274

**TOTAL
LIABILITIES AND
EQUITY**

\$

1,357,419

\$

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**

Six Months Ended

June 30,

June 30,

2011

2010

2011

2010

REVENUES:

Premiums earned:

Health

\$

74,738

\$

75,822

\$

150,461

32

\$

137,664

Life and annuity

9,263

8,792

19,413

17,834

Net investment
income

9,633

10,131

19,749

19,502

Fee income

8,328

9,681

15,705

17,241

Net realized
investment gains

1,883

1,634

1,681

1,983

Other-than-temporary
impairment losses