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.

[X]

[ ] 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 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, <u>Risk Factors</u>, 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.

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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
	June 30, 2011
	<b>December 31, 2010</b>
	December 31, 2010
	(Unaudited)
	(Chadanca)

**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



#### Total investments

923,160

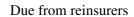
919,727

# Cash and cash equivalents

11,309

11,426

Due from securit brokers	ies
	17,421
	15,022
Deferred acquisicosts	tion
	42,466
	43,465
Due and unpaid premiums	
	43,095
	48,586



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

	<b>+</b>
	Τ,
٠	n

1,361,792

LIABILITIES AND EQUITY:

LIABILITIES:

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	Insurance reserves-health	
	\$	
		182,064
	\$	
		181,447
	Insurance reservand annuity	ves-life
		278,673
		278,000
		,
	Funds on depos	it
	Tunus on depos	ıı
		413,685
		408,566
	I I a source of manager	

Unearned premiums



	20,756
	20,195
Due to securities brokers	
	18,338
	32,469
Due to reinsurers	
	30,349
	31,554
Accounts payable accruals and othe liabilities	e, er

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

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<b>EQUITY:</b>
IHC
STOCKHOLDERS' EQUITY:
Preferred stock (none issued)

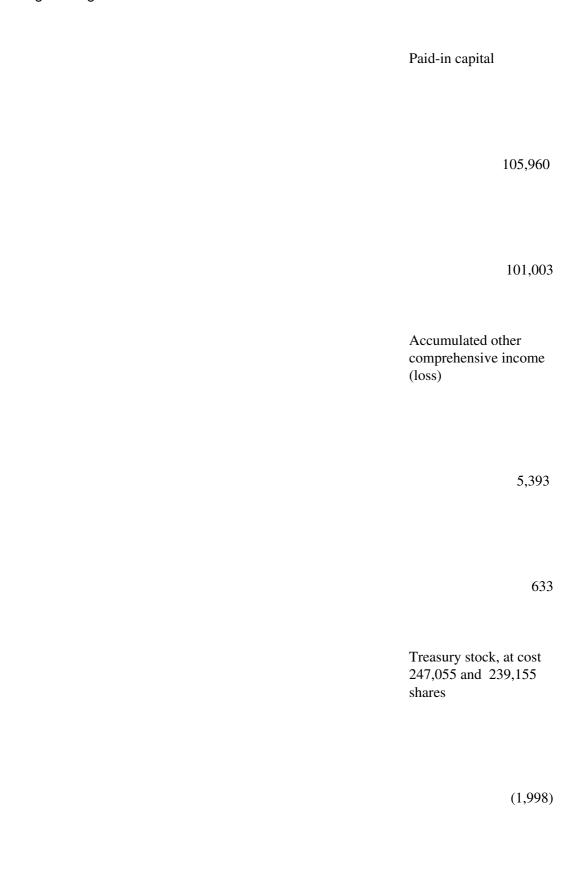
Common stock \$1.00 par value, 20,000,000 shares authorized;

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

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

16,080

15,472



(1,917)

D . 1	
Retained	earnings

121,212

115,437

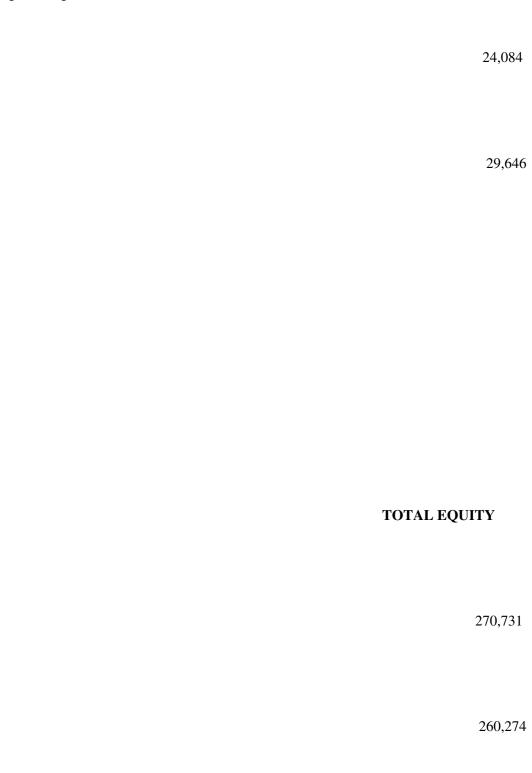
TOTAL IHC STOCKHOLDERS EQUITY

246,647

230,628

NONCONTROLLING INTERESTS IN SUBSIDIARIES





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)

	ree Months Ended
Six M	onths Ended
J	June 30,
j	June 30,
	2011
	2010
	2011
	2010
REVE	NUES:

Premiums earned:

Health

\$

74,738

\$

75,822

\$

150,461

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