INDEPENDENCE HOLDING CO Form 10-Q May 08, 2015

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, 2015.
Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from: to
Commission File Number: 001-32244
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.

Securities Exchange Act of 1934 during	rant (1) has filed all reports required to be filed by Section 13 or 15(d) of the the preceding 12 months (or for such shorter period that the registrant was been subject to such filing requirements for the past 90 days. Yes [X] No
any, every Interactive Data File required t	strant has submitted electronically and posted on its corporate Web site, it to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 months (or for such shorter period that the registrant was required to submi
·	rant is a large accelerated filer, an accelerated filer, a non-accelerated filer or tions of "large accelerated filer", "accelerated filer" and "smaller reporting Act.
Large Accelerated Filer [] Non-Accelerated Filer []	Accelerated Filer [X] Smaller Reporting Company []
Indicate by check mark whether the regist [] No [X]	erant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes

<u>Class</u> Common stock, \$ 1.00 par value <u>Outstanding at May 1, 2015</u> 17,336,816 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.

PART I - FINANCIAL INFORMATION

Item 1.

Financial Statements

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

	March 31, 2015	D	ecember 31, 2014
	(Unaudited)		
ASSETS:			
Investments:			
Short-term investments	\$ 50	\$	50
Securities purchased under agreements to resell	50,937		16,790
Trading securities	9,520		11,095
Fixed maturities, available-for-sale	564,144		583,880
Equity securities, available-for-sale	7,350		13,895
Other investments	25,484		25,251
Total investments	657,485		650,961
Cash and cash equivalents	20,595		25,083
Deferred acquisition costs	31,143		30,806
Due and unpaid premiums	76,811		62,628
Due from reinsurers	273,712		278,242
Premium and claim funds	32,929		32,553
Goodwill	50,318		50,318
Other assets	62,739		57,126
TOTAL ASSETS	\$ 1,205,732	\$	1,187,717
LIABILITIES AND STOCKHOLDERS EQUITY:			
LIABILITIES:			
Policy benefits and claims	\$ 245,047	\$	236,803
Future policy benefits	275,803		277,041
Funds on deposit	181,119		186,782
Unearned premiums	11,042		9,455
Other policyholders' funds	18,326		18,802
Due to reinsurers	47,823		47,945
Accounts payable, accruals and other liabilities	79,052		67,641
Debt	4,000		4,000
Junior subordinated debt securities	38,146		38,146
TOTAL LIABILITIES	900,358		886,615

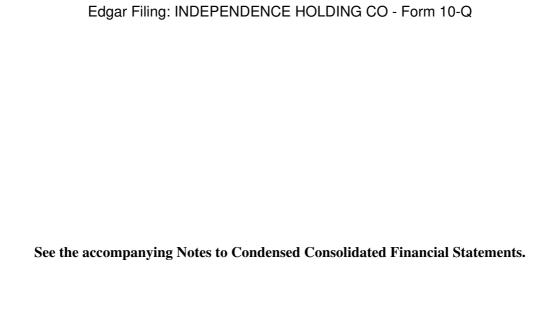
STOCKHOLDERS EQUITY: IHC STOCKHOLDERS' EQUITY:

Preferred stock (none issued)		-		-
Common stock \$1.00 par value, 23,000,000 shares				
authorized;				
18,545,758 and 18,531,158 shares issue	ed;			
17,336,816 and				
17,371,040 shares outstanding		18,546		18,531
Paid-in capital		127,113		127,098
Accumulated other comprehensive income		901		22
Treasury stock, at cost; 1,208,942 and 1,160,118 share	es	(12,738)		(12,141)
Retained earnings		162,865		157,667
TOTAL IHC STOCKHOLDERS EQUITY		296,687		291,177
NONCONTROLLING INTERESTS IN SUBSIDIARIES	5	8,687		9,925
TOTAL EQUITY		305,374		301,102
TOTAL LIABILITIES A EQUITY	ND \$	1,205,732	\$ 1,	,187,717

See the accompanying Notes to Condensed Consolidated Financial Statements.

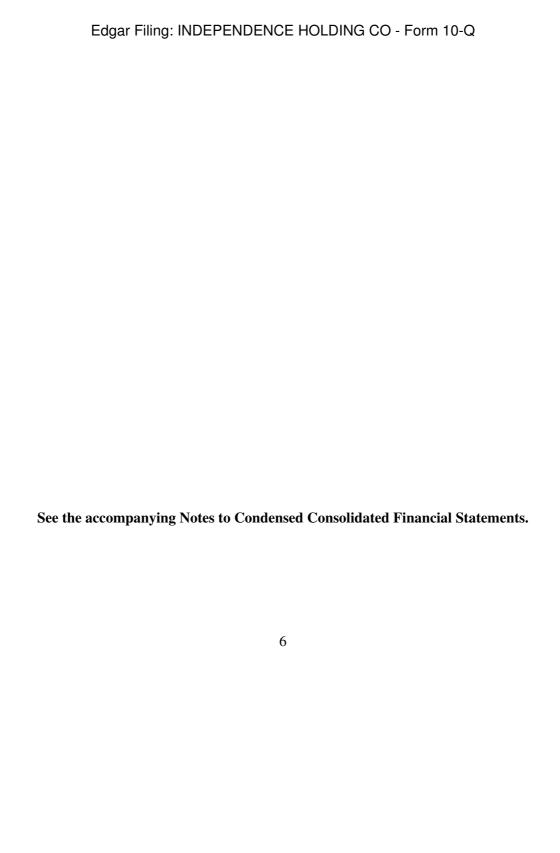
INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited) (In thousands, except per share data)

	Three Months Ended March 31,			
		2015		2014
REVENUES:				
Premiums earned	\$	122,114	\$	123,270
Net investment income		5,441		5,801
Fee income		3,716		9,339
Other income		994		1,111
Net realized investment gains		2,000		1,551
		134,265		141,072
EXPENSES:		70.620		05.200
Insurance benefits, claims and reserves		79,620		85,309
Selling, general and administrative expenses		44,149		48,135
Amortization of deferred acquisitions costs		1,464		1,282
Interest expense on debt		432		481
		125,665		135,207
Income before income taxes		8,600		5,865
Income taxes		3,269		1,860
Net income		5,331		4,005
Less: Income from noncontrolling interests in subsidiaries		(112)		(304)
NET INCOME ATTRIBUTABLE TO IHC	\$	5,219	\$	3,701
Basic income per common share	\$.30	\$.21
WEIGHTED AVERAGE SHARES OUTSTANDING		17,364		17, 623
Diluted income per common share	\$.30	\$.21
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING		17,531		17,763



INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited) (In thousands)

		Three Months Ended March 31,			ded
			2015		2014
Net income		\$	5,331	\$	4,005
Other comprehensi	ve income:				
	Available-for-sale securities:				
	Unrealized gains on available-for-sale securities,		1,305		8,017
	pre-tax		205		2.250
	Tax expense on unrealized gains on		397		2,378
	available-for-sale securities		000		5 620
	Unrealized gains on available-for-sale securities, net of taxes		908		5,639
	Cash flow hedge:				
	Unrealized gains on cash flow hedge, pre-tax		15		17
	Tax expense on unrealized gains on cash flow		6		7
	hedge				
	Unrealized gains on cash flow hedge, net of taxes		9		10
	Other comprehensive income, net of tax		917		5,649
	COMPREHENSIVE INCOME, NET OF		6,248		9,654
	TAX				
Comprehensive inc interests:	ome, net of tax, attributable to noncontrolling				
	ontrolling interests in subsidiaries		(112)		(304)
Other comprehensi	ve income, net of tax, attributable to noncontrolling		,		(= -)
interests:	There is a first or an include the first of the same o		(42)		(121)
	Unrealized gains on available-for-sale securities, net of tax		(43)		(131)
	Other comprehensive income, net of tax,				
	attributable to				
	noncontrolling interests		(43)		(131)
	COMPDEHENSIVE INCOME NET OF TAY				
	COMPREHENSIVE INCOME, NET OF TAX, ATTRIBUTABLE TO		(155)		(435)
	NONCONTROLLING INTERESTS		(133)		(433)
	COMPREHENSIVE INCOME, NET OF TAX,				
	ATTRIBUTABLE TO IHC	\$	6,093	\$	9,219



INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited) (In thousands)

COMMON STOCK	PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY STOCK, AT COST	RETAINED EARNINGS	TOTAL IHC STOCKHOLDERS' EQUITY	NON- CONTROLLING INTERESTS IN SUBSIDIARIES
BALANCE AT DECEMBERS 31, 2014	§ 127,098 S	\$ 225	\$ (12,141)\$	\$ 157,667\$	291,177 \$	9,925
Net income Other comprehensive				5,219	5,219	112