

INDEPENDENCE HOLDING CO  
Form 10-Q  
May 08, 2015

**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 **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**  
(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 May 1, 2015**  
**17,336,816 Shares**

**INDEPENDENCE HOLDING COMPANY**

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**PART I - FINANCIAL INFORMATION**

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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)

	March 31, 2015	December 31,
	(Unaudited)	2014
<b>ASSETS:</b>		
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
<b>TOTAL ASSETS</b>	<b>\$ 1,205,732</b>	<b>\$ 1,187,717</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
<b>LIABILITIES:</b>		
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
<b>TOTAL LIABILITIES</b>	<b>900,358</b>	<b>886,615</b>

**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 issued;		
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 shares	(12,738)	(12,141)
Retained earnings	162,865	157,667
<b>TOTAL IHC STOCKHOLDERS' EQUITY</b>	<b>296,687</b>	<b>291,177</b>
<b>NONCONTROLLING INTERESTS IN SUBSIDIARIES</b>	<b>8,687</b>	<b>9,925</b>
<b>TOTAL EQUITY</b>	<b>305,374</b>	<b>301,102</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,205,732</b>	<b>\$ 1,187,717</b>

**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)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>REVENUES:</b>		
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
<b>EXPENSES:</b>		
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
<b>Net income</b>	5,331	4,005
Less: Income from noncontrolling interests in subsidiaries	(112)	(304)
<b>NET INCOME ATTRIBUTABLE TO IHC</b>	<b>\$ 5,219</b>	<b>\$ 3,701</b>
<b>Basic income per common share</b>	<b>\$ .30</b>	<b>\$ .21</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>	<b>17,364</b>	<b>17,623</b>
<b>Diluted income per common share</b>	<b>\$ .30</b>	<b>\$ .21</b>
<b>WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING</b>	<b>17,531</b>	<b>17,763</b>



**See the accompanying Notes to Condensed Consolidated Financial Statements.**

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
Net income	\$ 5,331	\$ 4,005
Other comprehensive income:		
<b>Available-for-sale securities:</b>		
Unrealized gains on available-for-sale securities, pre-tax	1,305	8,017
Tax expense on unrealized gains on available-for-sale securities	397	2,378
Unrealized gains on available-for-sale securities, net of taxes	908	5,639
<b>Cash flow hedge:</b>		
Unrealized gains on cash flow hedge, pre-tax	15	17
Tax expense on unrealized gains on cash flow hedge	6	7
Unrealized gains on cash flow hedge, net of taxes	9	10
Other comprehensive income, net of tax	917	5,649
<b>COMPREHENSIVE INCOME, NET OF TAX</b>	<b>6,248</b>	<b>9,654</b>
Comprehensive income, net of tax, attributable to noncontrolling interests:		
Income from noncontrolling interests in subsidiaries	(112)	(304)
Other comprehensive income, net of tax, attributable to noncontrolling interests:		
Unrealized gains on available-for-sale securities, net of tax	(43)	(131)
Other comprehensive income, net of tax, attributable to noncontrolling interests	(43)	(131)
<b>COMPREHENSIVE INCOME, NET OF TAX, ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>(155)</b>	<b>(435)</b>
<b>COMPREHENSIVE INCOME, NET OF TAX, ATTRIBUTABLE TO IHC</b>	<b>\$ 6,093</b>	<b>\$ 9,219</b>

**See the accompanying Notes to Condensed Consolidated Financial Statements.**

**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
<b>BALANCE AT</b>							
<b>DECEMBER 31, 2014</b>		\$ 127,098	\$ 22	\$(12,141)	\$ 157,667	\$ 291,177	\$ 9,925
Net income					5,219	5,219	112
Other comprehensive							