

INDEPENDENCE HOLDING CO
Form 10-Q/A
August 16, 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

(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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June 30, 2011
(unaudited) and
December 31,
2010

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Three Months and
Six Months Ended
June 30, 2011 and
2010 (unaudited)

C o n d e n s e d
C o n s o l i d a t e d
S t a t e m e n t o f
C h a n g e s i n E q u i t y
-

Six Months Ended
June 30, 2011
(unaudited)

C o n d e n s e d
C o n s o l i d a t e d
S t a t e m e n t s o f C a s h
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Six Months Ended
June 30, 2011 and
2010 (unaudited)

N o t e s t o
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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

(165)

(1,039)

(468)

34

(2,665)

Equity income from
AMIC

-

-

-

280

Gain on bargain
purchase of AMIC

-

-

-

27,830

Other income

1,845

1,410

3,303

3,112

105,525

106,431

209,844

222,781

EXPENSES:

Insurance benefits,
claims and reserves:

Health

50,503

53,252

101,079

96,815

Life and annuity

11,654

11,427

25,327

24,692

Selling, general and
administrative
expenses

36,331

36,390

72,317

67,825

Amortization of
deferred acquisitions
costs

1,758

1,720

3,449

3,038

Interest expense on
debt

460

477

917

948

100,706

103,266

203,089

193,318

Income from
continuing operations

before income taxes

4,819

3,165

6,755

29,463

Income taxes
(benefits)

1,355

847

(509)

10,768

40

**Income from
continuing
operations**

3,464

2,318

7,264

18,695

**Discontinued
operations:**

Loss from
discontinued
operations, net of tax

-

(55)

-

Net income

3,464

2,263

7,264

18,513

Less income from
noncontrolling
interests in
subsidiaries

(424)

(565)

(1,040)

(781)

**NET INCOME
ATTRIBUTABLE
TO IHC**

\$
3,040
\$
1,698
\$
6,224
\$
17,732

**Basic income per
common share:**

Income from
continuing operations

\$

.19

\$

.11

\$

.40

\$

1.17

Loss from
discontinued
operations

-

-

-

(.01)

Basic income per
common share

\$

.19

\$

.11

\$

.40

\$

1.16

**WEIGHTED
AVERAGE
SHARES
OUTSTANDING**

15,835

15,266

15,658

15,303

**Diluted income per
common share:**

Income from
continuing operations

\$
.19
\$
.11
\$
.40
\$
1.17

Loss from
discontinued
operations

-
-
-
(.01)

Diluted income per
common share

\$
.19
\$
.11
49

\$
.40
\$
1.16

**WEIGHTED
AVERAGE
DILUTED
SHARES
OUTSTANDING**

15,848

15,268

15,667

15,306

See the accompanying Notes to Condensed Consolidated Financial Statements.

**INDEPENDENCE
HOLDING
COMPANY AND
SUBSIDIARIES**

**CONDENSED
CONSOLIDATED
STATEMENT OF
CHANGES IN
EQUITY
(Unaudited)**

**SIX MONTHS
ENDED JUNE 30,
2010 (In thousands)**

ACCUMULATED

NON-

OTHER

TREASURY

TOTAL IHC

CONTROLLING

COMMON
PAID-IN
COMPREHENSIVE
STOCK,
RETAINED
STOCKHOLDERS'
INTERESTS IN
TOTAL
STOCK
CAPITAL
INCOME (LOSS)
AT COST

EARNINGS

EQUITY

SUBSIDIARIES

EQUITY

BALANCE AT

**DECEMBER 31,
2010**

\$

15,472

\$

101,003

\$

633

\$

(1,917)

\$
115,437
\$
230,628
\$
29,646
\$
260,274

Net income

6,224

6,224

1,040

7,264

Net change in
unrealized

gains (losses)

4,747

4,747

256

5,003

60

Total comprehensive

Income

10,971

1,296

12,267

Acquire noncontrolling

interests in American

Independence Corp.

600

4,430

63

5,043

(6,043)

(1,000)

Acquire noncontrolling

interests in Wisconsin

Underwriting
Associates

391

391

(391)

-

Repurchase of
common stock

(81)

(81)

-

(81)

Common Stock
dividend

(\$0.025 Per share)

(396)

(396)

-

(396)

Share-based
compensation

expenses and related

tax benefits

8

55

63

-

63

Distributions to
noncontrolling

70

interests

-

(448)

(448)

Other capital
transactions

81

(53)

28

24

52

BALANCE AT

JUNE 30, 2011

\$
16,080
\$
105,960
\$
5,393
\$
(1,998)
\$
121,212
\$
246,647
\$
24,084
\$
270,731

See the accompanying Notes to Condensed Consolidated Financial Statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands) (Unaudited)

**Six Months Ended
June 30,**

2011

2010

**CASH FLOWS
PROVIDED BY
(USED BY)
OPERATING
ACTIVITIES:**

Net income

\$

7,264

\$

18,513

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

-

182

Amortization of
deferred acquisition
costs

3,449

3,038

Net realized
investment gains

(1,681)

(1,983)

80

Other-than-temporary
impairment losses

468

2,665

Equity income from
AMIC and other
equity method
investments

(714)

(487)

Depreciation and
amortization

2,233

2,461

Share-based
compensation
expenses

351

348

Deferred tax (benefit)
expense

250

12,811

Other

2,015

666

Changes in assets
and liabilities:

Change in insurance liabilities

646

(21,980)

Additions to deferred acquisition costs, net

(3,786)

(2,170)

Change in net amounts due from and to reinsurers

(3,028)

11,075

Change in premium and claim funds

544

2,556

Change in income tax liability

2,888

(2,820)

Change in due and unpaid premiums

5,492

10,763

Change in other assets

(2,009)

1,400

Change in other liabilities

(3,379)

(11,182)

Net change in cash from operating activities of continuing operations

11,003

(1,974)

Net change in cash from operating activities of discontinued operations

-

(767)

Net change in cash
from operating
activities

11,003

(2,741)

**CASH FLOWS
PROVIDED BY
(USED BY)
INVESTING
ACTIVITIES:**

Change in net
amount due from and
to securities brokers

(16,530)

2,913

Net sales of securities
under resale and
repurchase
agreements

27,101

17,376

Sales of equity
securities

30,770

28,613

Purchases of equity
securities

(35,386)

(17,022)

Sales of fixed
maturities

244,277

379,878

Maturities and other
repayments of fixed
maturities

39,792

67,702

Purchases of fixed
maturities

(301,198)

(473,161)

Additional
investments in other
investments, net of
distributions

(153)

1,428

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
interest in AMIC

(1,000)

-

Cash received in
acquisition of policy
blocks

-

1,192

Change in notes and
other receivables

(727)

(705)

Other

(884)

(993)

Net change in cash
from investing
activities

(13,938)

8,314

**CASH FLOWS
PROVIDED BY
(USED BY)
FINANCING
ACTIVITIES:**

Repurchases of
common stock

(81)

(1,591)

Excess tax expense
from expired stock
options and vesting
of restricted stock

(164)

(22)

Proceeds of
investment-type
insurance contracts

3,390

1,587

Dividends paid

(375)

(386)

Other capital
transactions

48

44

Net change in cash
from financing
activities

2,818

(368)

Net change in cash
and cash equivalents

(117)

5,205

Cash and cash
equivalents,
beginning of year

11,426

7,394

Cash and cash
equivalents, end of
period

\$

11,309

\$

12,599

See the accompanying Notes to Condensed Consolidated Financial Statements.

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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., IHC Risk Solutions, LLC and its other 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 June 30, 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 June 30, 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 and six months ended June 30, 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 July 2011, the FASB issued guidance specifying that the liability for the fees paid to the Federal Government by health insurers as a result of recent healthcare reform legislation should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. The amendments in this Update are effective for calendar years beginning after December 31, 2013, when the fee initially becomes effective. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In June 2011, the FASB issued guidance that requires all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. For public entities, the amendments are effective for fiscal years and interim periods within those years, 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 May 2011, the FASB issued guidance to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. Some of the amendments in this update clarify the FASB's intent about the application of certain existing fair value measurement requirements and other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. None of the amendments in this update require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. For public entities, this guidance is effective during interim and annual periods 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 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 June 30, 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 and six-month periods ended June 30, 2011.

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 Standard Security Life and Madison National Life cede to Independence American an average of 20% of their medical stop-loss business, 9% 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%.

Subsequent to the balance sheet date, on July 15, 2011, IHC commenced an offer to exchange up to 908,085 shares of its common stock for properly tendered and accepted shares of common stock of AMIC (the Exchange Offer). IHC filed a Registration Statement on Form S-4 in connection with the Exchange Offer that was declared effective by the Securities and Exchange Commission on July 15, 2011. The Exchange Offer will expire on Friday, August 12, 2011, unless extended or earlier terminated by IHC. For each share of AMIC common stock accepted in accordance with the terms of the Exchange Offer, IHC will issue 0.625 of a share of IHC common stock. If IHC were to exchange all of the shares of IHC common stock offered in the Exchange Offer for shares of AMIC common stock, IHC's total ownership of AMIC would increase to 80%.

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 AM