

INDEPENDENCE HOLDING CO
Form 10-Q
August 09, 2007

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, 2007**

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

(State or other jurisdiction of incorporation or organization)

58-1407235

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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 August 7, 2007
15,184,648 Shares

INDEPENDENCE HOLDING COMPANY

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Copies of the Company's SEC filings can be found on its website at www.independenceholding.com.

Forward-Looking Statements

Certain statements in this document are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, cash flows, plans, objectives, future performance and business of the Company. In this context, forward-looking statements often address the Company's expected future business and financial performance, and often (but not always) contain words such as expect, anticipate, intend, plan, believe, seek, or will. Forward-looking statements by their nature are matters that are, to differing degrees, uncertain. With respect to the Company, particular uncertainties that could adversely or positively affect its future results include, but are not limited to, economic conditions in the markets in which the Company operates, new federal or state governmental regulation, the Company's ability effectively to operate, integrate and leverage any past or future strategic acquisition, and other factors which can be found in the Company's news releases and filings with the Securities and Exchange Commission. These uncertainties may cause the Company's actual future results to be materially different than those expressed in its forward-looking statements. The Company does not undertake to update its forward-looking statements.

PART I - FINANCIAL INFORMATION**Item 1.****Financial Statements**

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

	June 30,	December
	2007	31,
	(Unaudited)	2006
ASSETS:		
Investments:		
Short-term investments	\$ 718	\$ 9,910
Securities purchased under agreements to resell	15,929	68,849
Fixed maturities	686,841	665,340
Equity securities	90,776	60,043
Other investments	46,810	55,034
Total investments	841,074	859,176
Cash and cash equivalents	17,104	17,543
Due from securities brokers	1,423	660
Investment in American Independence Corp. ("AMIC")	40,722	39,942
Deferred acquisition costs	55,865	55,021
Due and unpaid premiums	60,288	23,860
Due from reinsurers	126,128	111,476
Premium and claim funds	48,451	51,244
Notes and other receivables	16,294	13,994
Goodwill	51,567	46,603
Other assets	47,680	40,165
Total assets	\$ 1,306,596	\$ 1,259,684

LIABILITIES AND STOCKHOLDERS' EQUITY:**LIABILITIES:**

Insurance reserves-health	\$	199,829	\$	175,048
Insurance reserves-life and annuity		250,056		252,860
Funds on deposit		385,400		387,757
Unearned premiums		20,903		19,982
Policy claims-health		7,548		7,407
Policy claims-life		11,242		6,799
Other policyholders' funds		18,329		18,299
Due to securities brokers		1,775		-
Due to reinsurers		49,447		38,109
Accounts payable, accruals and other liabilities		73,375		69,127
Debt		15,000		15,000
Junior subordinated debt securities		38,146		38,146
Total liabilities		1,071,050		1,028,534

STOCKHOLDERS' EQUITY:

Preferred stock (none issued)		-		-
Common stock \$1.00 par value, 20,000,000 shares authorized; 15,322,223 and 15,293,862 shares issued, respectively; 15,195,427 and 15,175,467 shares outstanding, respectively		15,322		15,294
Paid-in capital		98,734		97,873
Accumulated other comprehensive loss		(13,774)		(9,302)
Treasury stock, at cost, 126,796 and 118,395 shares, respectively		(2,408)		(2,237)
Retained earnings		137,672		129,522
Total stockholders' equity		235,546		231,150
Total liabilities and stockholders' equity	\$	1,306,596	\$	1,259,684

The accompanying notes are an integral part of these consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
REVENUES:				
Premiums earned:				
Health	\$ 69,120	\$ 60,411	\$ 141,942	\$ 115,784
Life and annuity	11,024	10,879	22,689	21,794
Net investment income	12,421	11,402	24,455	23,333
Fee income	10,346	7,702	20,533	15,113
Net realized investment gains	582	50	1,002	467
Equity income from AMIC	562	183	1,097	359
Other income	1,066	842	2,474	1,459
	105,121	91,469	214,192	178,309
EXPENSES:				
Insurance benefits, claims and reserves:				
Health	48,220	39,794	96,861	77,090
Life and annuity	12,421	12,827	26,059	25,711
Selling, general and administrative expenses	34,407	31,665	70,874	58,814
Amortization of deferred acquisitions costs	2,809	2,671	5,300	5,189
Interest expense on debt	1,062	928	2,118	1,831
	98,919	87,885	201,212	168,635
Income before income taxes	6,202	3,584	12,980	9,674

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Income tax expense	2,273	1,218	4,449	3,279
Net income	\$ 3,929	\$ 2,366	\$ 8,531	\$ 6,395
Basic income per common share	\$.26	\$.16	\$.56	\$.44
Weighted average shares outstanding	15,193	14,862	15,187	14,679
Diluted income per common share	\$.26	\$.16	\$.56	\$.43
Weighted average diluted shares outstanding	15,336	15,178	15,341	15,003

The accompanying notes are an integral part of these consolidated financial statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended	
	June 30,	
	2007	2006
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES:		
Net income	\$ 8,531	\$ 6,395
Adjustments to reconcile net income to net change in cash from operating activities:		
Amortization of deferred acquisition costs	5,300	5,189
Net realized investment gains	(1,002)	(467)
Equity income from AMIC and other equity method investments	(1,292)	(768)
Depreciation and amortization	2,245	1,218
Share-based compensation expenses	797	708
Deferred tax expense	674	706
Other	548	647