

INDEPENDENCE HOLDING CO
Form 10-Q
November 07, 2014

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 **September 30, 2014**.

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

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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 November 3, 2014
17,371,040 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, 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)

	September 30, 2014 (Unaudited)	December 31, 2013
ASSETS:		
Investments:		
Short-term investments	\$ 50	\$ 50
Securities purchased under agreements to resell	16,413	22,594
Trading securities	11,370	7,125
Fixed maturities, available-for-sale	566,612	542,287
Equity securities, available-for-sale	13,121	11,803
Other investments	26,406	25,123
Total investments	633,972	608,982
Cash and cash equivalents	18,215	24,229
Deferred acquisition costs	30,302	29,777
Due and unpaid premiums	61,820	59,435
Due from reinsurers	280,023	380,229
Premium and claim funds	39,509	37,353
Goodwill	50,318	50,318
Other assets	54,244	78,712
TOTAL ASSETS	\$ 1,168,403	\$ 1,269,035
LIABILITIES AND STOCKHOLDERS EQUITY:		
LIABILITIES:		
Policy benefits and claims	\$ 227,877	\$ 237,754
Future policy benefits	277,878	287,449
Funds on deposit	194,140	274,826
Unearned premiums	8,731	12,423
Other policyholders' funds	19,244	25,129
Due to reinsurers	37,999	37,113
Accounts payable, accruals and other liabilities	66,274	71,889
Debt	4,000	6,000
Junior subordinated debt securities	38,146	38,146
TOTAL LIABILITIES	874,289	990,729

STOCKHOLDERS' EQUITY:

IHC STOCKHOLDERS' EQUITY:

Preferred stock (none issued)	-	-
Common stock \$1.00 par value, 23,000,000 shares authorized;		
18,531,158 and 18,523,733 shares issued;		
17,371,040 and		
17,660,390 shares outstanding	18,531	18,524
Paid-in capital	126,999	126,239
Accumulated other comprehensive loss	(3,195)	(10,472)
Treasury stock, at cost; 1,160,118 and 863,343 shares	(12,141)	(8,169)
Retained earnings	154,256	142,669
TOTAL IHC STOCKHOLDERS' EQUITY	284,450	268,791
NONCONTROLLING INTERESTS IN SUBSIDIARIES	9,664	9,515
TOTAL EQUITY	294,114	278,306
TOTAL LIABILITIES AND EQUITY	\$ 1,168,403	\$ 1,269,035

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		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
REVENUES:				
Premiums earned	\$ 117,705	\$ 125,174	\$ 362,110	\$ 368,007
Net investment income	5,439	6,841	16,674	21,844
Fee income	4,813	6,290	18,013	18,871
Other income	951	922	3,132	3,933
Net realized investment gains	844	2,417	6,914	18,771
	129,752	141,644	406,843	431,426
EXPENSES:				
Insurance benefits, claims and reserves	74,916	88,177	243,488	262,913
Selling, general and administrative expenses	44,916	45,597	137,998	133,339
Amortization of deferred acquisitions costs	1,416	1,404	3,887	13,792
Interest expense on debt	539	470	1,357	1,447
	121,787	135,648	386,730	411,491
Income before income taxes	7,965	5,996	20,113	19,935
Income taxes	3,141	2,080	7,404	6,821
Net income	4,824	3,916	12,709	13,114
Less: Income from noncontrolling interests in subsidiaries	(114)	(277)	(450)	(1,083)
NET INCOME	\$ 4,710	\$ 3,639	\$ 12,259	\$ 12,031
ATTRIBUTABLE TO IHC				
Basic income per common share	\$.27	\$.21	\$.70	\$.68
WEIGHTED AVERAGE SHARES OUTSTANDING	17,410	17,683	17,505	17,784
Diluted income per common share	\$.27	\$.21	\$.69	\$.67
WEIGHTED AVERAGE DILUTED SHARES				
OUTSTANDING				