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ew roman">6,173,559 \$5,621,197 12.5%

December 31, 2008

\$7,224,141 \$554,219 \$2,326,940 \$5,451,420 10.2%

Benefits to Policyholders:

December 31, 2010

\$307,988 \$65,624 \$132,936 \$240,676 27.3%

December 31, 2009

\$302,785 \$93,307 \$176,301 \$219,791 42.5%

December 31, 2008

\$320,869 \$77,464 \$176,736 \$221,597 35.0%

Premiums Earned:

December 31, 2010

Health

\$394,446 \$55,036 \$159,896 \$289,586 19.0%

Life and annuity

48,280 8,712 20,432 36,560 23.8% \$442,726 \$63,748 \$180,328 \$326,146 19.5%

December 31, 2009

Health

\$376,139 \$97,527 \$215,567 \$258,099 37.8%

Life and annuity

39,285 14,595 17,180 36,700 39.8% \$415,424 \$112,122 \$232,747 \$294,799 38.0%

December 31, 2008

Health

\$428,186 \$89,972 \$237,944 \$280,214 32.1%

Life and annuity

35,888 10,073 8,887 37,074 27.2% \$464,074 \$100,045 \$246,831 \$317,288 31.5%

Included in Gross Amount in 2010, 2009 and 2008, respectively, are \$8,452,000, \$62,259,000 and \$76,835,000 of premiums written through AMIC subsidiaries prior to its consolidation in 2010. Included in Ceded to Other Companies in 2010, 2009 and 2008, respectively, are \$5,867,000, \$45,519,000 and \$57,031,000 of Premiums Earned and \$3,020,000, \$31,009,000 and \$39,670,000 of Benefits to Policyholders for business ceded to Independence American, a subsidiary of AMIC prior to its consolidation in 2010.

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Note 22. Segment Reporting

The Insurance Group principally engages in the life and health insurance business. Interest expense, taxes, and general expenses associated with parent company activities are included in Corporate. Identifiable assets by segment are those assets that are utilized in each segment and are allocated based upon the mean reserves and liabilities of each such segment. Corporate assets are composed principally of cash equivalents, resale agreements, fixed maturities, equity securities, partnership interests and certain other investments. Information by business segment for the years ended December 31, 2010, 2009 and 2008 is presented below.

	2010	2009	2008
	(In thousands)		
Revenues:			
Medical Stop-Loss (A)	\$ 130,654	\$ 133,121	\$ 165,285
Fully Insured Health (B)	150,684	115,975	121,195
Group disability; life, annuities and DBL (C)	65,972	64,992	57,664
Individual life, annuities and other	58,641	60,638	62,941
Corporate	28,590	1,314	(2,750)
	434,541	376,040	404,335
Net realized investment gains (losses)	4,646	8,789	(12,401)
Other-than-temporary impairment losses	(3,819)	(29,991)	(38,247)
Total revenues	\$ 435,368	\$ 354,838	\$ 353,687
Income (loss) from continuing operations before income taxes:			
Medical Stop-Loss (A)	\$ 1,878	\$ 3,709	\$ 4,386
Fully Insured Health (B)	3,126	(7,808)	499
Group disability; life, annuities and DBL (C) (D)	6,646	7,107	7,356
Individual life, annuities and other	2,217	6,302	6,817
Corporate	23,470	(3,393)	(5,611)
	37,337	5,917	13,447
Interest expense	(1,912)	(2,817)	(3,776)
Net realized investment gains (losses)	4,646	8,789	(12,401)
Other-than-temporary impairment losses	(3,819)	(29,991)	(38,247)
Income (loss) from continuing operations before income taxes	\$ 36,252	\$(18,102)	\$(40,977)

(A) The amount includes equity income from AMIC (prior to its acquisition) of \$14,000, \$786,000 and \$338,000 for the years 2010, 2009 and 2008, respectively.

(B) The amount includes equity income from AMIC (prior to its acquisition) of \$244,000, \$387,000 and \$96,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

(C) The amount includes equity income from AMIC (prior to its acquisition) of \$22,000, \$116,000 and \$46,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

(D) The Fully Insured Health segment includes amortization of intangible assets recorded as a result of purchase accounting for the recent acquisitions. Total amortization expense was \$2,382,000, \$2,458,000 and \$2,722,000 for the years ended December 31, 2010, 2009 and 2008, respectively. Amortization expense for the other segments is insignificant.

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	2010	2009
	(In thousands)	
IDENTIFIABLE ASSETS AT YEAR END		
Medical Stop-Loss (A)	\$ 187,639	\$ 143,935
Fully Insured Health (B)	164,014	153,582
Group disability; life, annuities and DBL	281,495	266,640
Individual life, annuities and other	681,244	672,798
Corporate (C)	47,400	67,521
	\$ 1,361,792	\$ 1,304,476

(A) The Medical Stop-Loss segment includes allocated goodwill of \$5,664,000 and \$4,205,000 at December 31, 2010 and 2009.

(B) The Fully Insured Health segment includes allocated goodwill of \$46,048,000 and \$44,654,000 at December 31, 2010 and 2009, respectively.

(C) At December 31, 2009, the Corporate segment includes the \$19,234,000 equity investment in AMIC.

Note 23.

Dividend Restrictions on Insurance Subsidiaries and IHC

Dividends from Madison National Life are subject to the prior notification to the Commissioner of Insurance of the State of Wisconsin if such dividend distribution exceeds 115% of the distribution for the corresponding period of the previous year. In addition, if such dividends, together with the fair market value of other dividends paid or credited and distributions made within the preceding twelve months, exceed the lesser of (i) total net gain from operations for the preceding calendar year minus realized capital gains for that calendar year and (ii) 10% of surplus with regard to policyholders as of December 31 of the preceding year, such dividends may be paid so long as such dividends have not been disapproved by the Wisconsin Insurance Commissioner within 30 days of its receipt of notice thereof. Madison National Life declared and paid \$3,450,000 and \$3,000,000, respectively, of dividends in 2010 and 2009. No dividends were declared or paid by Madison National Life in 2008. Madison National Life's statutory capital and surplus was \$174,171,000 (unaudited) and \$169,301,000 as of December 31, 2010 and 2009, respectively. For the years ended December 31, 2010, 2009 and 2008, Madison National Life's statutory net income (loss) was \$12,820,000 (unaudited), \$21,423,000 and \$(4,824,000), respectively.

The payment of dividends by Standard Security Life to its parent, Madison National Life, is subject to the prior notification to the New York State Insurance Department if such dividends, together with other dividends in such calendar year exceed the lesser of (i) 10% of surplus as regards policyholders as of the immediately preceding calendar year and (ii) net gain from operations for the immediately preceding calendar year, not including realized capital gains. Such dividends may be paid so long as they have not been disapproved by the New York State Department of Insurance within 30 days of its receipt of notice thereof. Standard Security Life declared and paid dividends to Madison National Life of \$8,500,000, \$7,800,000 and \$4,500,000 in 2010, 2009 and 2008, respectively. Standard Security Life's statutory capital and surplus was \$109,264,000 (unaudited) and \$115,055,000 as of December 31, 2010 and 2009, respectively. For the years ended December 31, 2010, 2009 and 2008, Standard Security Life's statutory net income (loss) was \$3,267,000 (unaudited), \$8,783,000 and \$(3,803,000), respectively.

Dividends from Independence American to its parent, a subsidiary of AMIC, are subject to the prior notification to the Delaware Insurance Commissioner, if such dividends, together with the fair market value of other dividends or distributions made within the preceding twelve months, exceed the greater of (i) 10% of surplus as regards policyholders as of the preceding December 31 or (ii) net income, not including realized capital gains, for the twelve-month period ending the December 31 next preceding. Such dividends may be paid as long as they have not

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been disapproved by the Delaware Insurance Commissioner within 30 days of its receipt of notice thereof. Independence American paid dividends of \$1,500,000 in 2010. Independence American's statutory surplus was \$47,392,000 (unaudited) as of December 31, 2010 and statutory net income was \$2,697,000 (unaudited) for 2010.

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Under Delaware law, IHC is permitted to pay dividends from surplus or net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. IHC declared cash dividends of \$762,000 in 2010 and \$771,000 in both 2009 and 2008.

Note 24. Other Comprehensive Income (Loss)

The components of total comprehensive income (loss) include (i) net income or loss reported in the Consolidated Statements of Operations, (ii) the after-tax net unrealized gains and losses on investment securities available-for-sale, including the subsequent increases and decreases in fair value of available-for-sale securities previously impaired, and (iii) effective April 1, 2009, the non-credit related component of other-than-temporary impairments of fixed maturities, net of tax.

The net unrealized gains and losses on investment securities included in total comprehensive income (loss) for the years ended December 31, 2010, 2009 and 2008 are as follows:

	Before Tax	Tax Effect (In thousands)	Net of Tax
2010			
Unrealized gains arising during the year	\$ 20,762	\$ (6,398)	\$ 14,364
Allocation to deferred acquisition costs	(3,042)	-	(3,042)
Reclassification of net gains included in earnings	(9,474)	3,433	(6,041)
Reclassification of losses recognized as other-than-temporary impairments in earnings	3,819	(1,363)	2,456
Net unrealized gains on available-for-sale securities	\$ 12,065	\$ (4,328)	\$ 7,737
2009			
Unrealized gains arising during the year	\$ 95,484	\$ (30,006)	\$ 65,478
Allocation to deferred acquisition costs	(11,559)	-	(11,559)
Reclassification of net gains included in earnings	(8,789)	3,144	(5,645)
Reclassification of losses recognized as other-than-temporary impairments in earnings	793	(289)	504
Net unrealized losses on available-for-sale securities	\$ 75,929	\$ (27,151)	\$ 48,778
2008			
Unrealized losses arising during the year	\$ (114,993)	\$ 37,065	\$ (77,928)
Allocation to deferred acquisition costs	11,340	-	11,340
Reclassification of net losses included in earnings	5,999	(2,099)	3,900
Reclassification of losses recognized as other-than-temporary impairments in earnings	38,247	(13,725)	24,522
Net unrealized losses on available-for-sale securities	\$ (59,407)	\$ 21,241	\$ (38,166)

Included in accumulated other comprehensive income at December 31, 2010 and 2009 are after-tax adjustments of \$1,132,000 and \$1,542,000, respectively, related to the non-credit related component of other-than-temporary impairment losses recorded in connection with new accounting standards adopted on April 1, 2009. For the year ended December 31, 2010 the reclassification of net gains to earnings includes \$410,000 of the non-credit related component of previously recorded other-than-temporary impairments on securities that were sold during the period, net of \$221,000 tax. No losses for other-than-temporary impairments were recognized in other comprehensive income since the adoption, in the second quarter of 2009, of the new accounting standards related to other-than-temporary

impairments.

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Note 25. Quarterly Data (Unaudited)

The quarterly results of operations for the years ended December 31, 2010 and 2009 are summarized below:

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
	(In thousands, except per share data)			
2010				
Total revenues	\$116,350	\$106,431	\$107,875	\$104,712
Income (loss) from continuing operations	\$16,377	\$2,318	\$5,051	\$(77)
Loss from discontinued operations	(127)	(55)	(21)	(53)
(Income) from noncontrolling interests in subsidiaries	(216)	(565)	(610)	(285)
Net income (loss) attributable to IHC	\$16,034	\$1,698	\$4,420	\$(415)
Basic income (loss) per common share:				
Income (loss) from continuing operations	\$1.06	\$.11	\$.29	\$(.02)
Loss from discontinued operations	(.01)	-	-	(.01)
Basic income (loss) per common share	\$1.05	\$.11	\$.29	\$(.03)
Diluted income (loss) per common are:				
Income (loss) from continuing operations	\$1.05	\$.11	\$.29	\$(.02)
Loss from discontinued operations	(.01)	-	-	(.01)
Diluted income (loss) per share	\$1.04	\$.11	\$.29	\$(.03)

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FIRST SECOND THIRD FOURTH
 QUARTER QUARTER QUARTER QUARTER
 (In thousands, except per share data)

2009				
Total revenues	\$98,795	\$99,983	\$92,512	\$63,548
Income (loss) from continuing operations	\$3,349	\$1,963	\$1,881	\$(14,626)
Income (loss) from discontinued operations	(237)	(117)	49	606
Income (loss) from noncontrolling interests in subsidiaries	7	13	(5)	(5)
Net income (loss) attributable to IHC	\$3,119	\$1,859	\$1,925	\$(14,025)
Basic (loss) income per common share:				
Income (loss) from continuing operations	\$.22	\$.13	\$.12	\$(.95)
Income (loss) from discontinued operations	(.02)	(.01)	-	.04
Basic income (loss) per common share	\$.20	\$.12	\$.12	\$(.91)
Diluted income (loss) per common share:				
Income (loss) from continuing operations	\$.22	\$.13	\$.12	\$(.95)
Income (loss) from discontinued operations	(.02)	(.01)	-	.04
Diluted income (loss) per share	\$.20	\$.12	\$.12	\$(.91)

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CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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AMERICAN INDEPENDENCE CORP. AND SUBSIDIARIES

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*All other schedules have been omitted as they are not applicable or not required, or the information is included in the Consolidated Financial Statements or Notes thereto.

American Independence Corp. and Subsidiaries

Condensed Consolidated Balance Sheets
(In thousands, except share data)

	March 31, 2011 (Unaudited)	December 31, 2010
ASSETS:		
Investments:		
Securities purchased under agreements to resell	\$4,067	\$ 6,716
Fixed maturities available-for-sale, at fair value	54,935	53,736
Equity securities available-for-sale, at fair value	5,957	3,997
Total investments	64,959	64,449
Cash and cash equivalents	2,350	2,614
Restricted cash (\$2,459 and \$2,562, respectively, restricted by related parties)	4,615	4,194
Accrued investment income	568	429
Premiums receivable (\$3,889 and \$4,157, respectively, due from related parties)	9,645	10,065
Net deferred tax asset	9,786	10,250
Due from reinsurers (\$5,370 and \$5,300, respectively, due from related parties)	9,450	9,155
Goodwill	23,561	23,561
Intangible assets	1,494	1,689
Accrued fee income (\$545 and \$541, respectively, due from related parties)	1,670	1,233
Due from securities brokers	133	65
Other assets (\$3 and \$0, respectively, due from related parties)	5,738	5,645
TOTAL ASSETS	\$ 133,969	\$ 133,349
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Insurance reserves (\$13,332 and \$13,440, respectively, due to related parties)	\$ 24,525	\$ 24,998
Premium and claim funds payable (\$2,459 and \$2,562, respectively, due to related parties)	4,615	4,194
Commission payable (\$2,345 and \$2,404, respectively, due to related parties)	4,245	4,181
Accounts payable, accruals and other liabilities (\$458 and \$357, respectively, due to related parties)	3,541	3,557
State income taxes payable	869	835
Due to securities brokers	1,280	1,327
Due to reinsurers (\$184 and \$162, respectively, due to related parties)	1,927	2,080
Total liabilities	41,002	41,172
STOCKHOLDERS' EQUITY:		
American Independence Corp. stockholders' equity:		
Preferred stock, \$0.10 par value, 1,000 shares designated; no shares issued and outstanding	-	-
Common stock, \$0.01 par value, 15,000,000 shares authorized; 9,181,793 shares issued, respectively; 8,513,313 and 8,508,591 shares outstanding, respectively	92	92
Additional paid-in capital	479,926	479,910

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Accumulated other comprehensive income	22	103
Treasury stock, at cost, 668,480 and 673,202 shares, respectively	(7,920)	(7,976)
Accumulated deficit	(379,167)	(380,069)
Total American Independence Corp. stockholders' equity	92,953	92,060
Non-controlling interest in subsidiaries	14	117
Total equity	92,967	92,177
TOTAL LIABILITIES AND EQUITY	\$ 133,969	\$ 133,349

See accompanying notes to condensed consolidated financial statements.

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American Independence Corp. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
REVENUES:		
Premiums earned (\$8,055 and \$8,801, respectively, from related parties)	\$17,769	\$18,411
MGU and agency income (\$852 and \$1,672, respectively, from related parties)	3,316	3,647
Net investment income	559	614
Net realized investment gains (losses)	(15)	186
Other income (loss)	93	(14)
	21,722	22,844
EXPENSES		
Insurance benefits, claims and reserves (\$4,946 and \$4,531, respectively, from related parties)	11,048	12,318
Selling, general and administrative expenses (\$3,033 and \$3,183, respectively, from related parties)	8,908	8,826
Amortization and depreciation	214	213
	20,170	21,357
Income before income tax	1,552	1,487
Provision for income taxes	495	453
Net income	1,057	1,034
Less: Net income attributable to the non-controlling interest	(120)	(191)
Net income attributable to American Independence Corp.	\$937	\$843
Basic income per common share:		
Net income attributable to American Independence Corp. common stockholders	\$.11	\$.10
Weighted-average shares outstanding	8,511	8,506
Diluted income per common share:		
Net income attributable to American Independence Corp. common stockholders	\$.11	\$.10
Weighted-average diluted shares outstanding	8,511	8,506

See accompanying notes to condensed consolidated financial statements.

American Independence Corp. and Subsidiaries
Condensed Consolidated Statements of Changes In Stockholders' Equity
Three Months Ended March 31, 2011
(In thousands)
(Unaudited)

	ACCUMULATED		NON-		TOTAL		NON-	
	ADDITIONAL OTHER TREASURY		AMIC CONTROLLING		AMIC CONTROLLING		INTERESTS	
	COMMON PAID-UP	COMPREHENSIVE	STOCK	ACCUMULATED	STOCKHOLDERS' IN	STOCKHOLDERS' IN	STOCKHOLDERS' IN	TOTAL
	STOCK	CAPITAL	INCOME	AT	DEFICIT	EQUITY	SUBSIDIARIES	EQUITY
	AT	AT	AT	AT	AT	AT	AT	AT
BALANCE AT DECEMBER 31, 2010	\$ 92	\$ 479,910	\$ 103	\$ (7,976)	\$ (380,069)	\$ 92,060	\$ 117	\$ 92,177
Net income					937	937	120	1,057
Net change in unrealized gains on certain available-for-sale securities			(81)			(81)	-	(81)
Total comprehensive income						856	120	976
Exercise of stock options				56	(35)	21	-	21
Dividends paid to non-controlling interest							(223)	(223)
Share-based compensation expense		16				16	-	16
BALANCE AT MARCH 31, 2011	\$ 92	\$ 479,926	\$ 22	\$ (7,920)	\$ (379,167)	\$ 92,953	\$ 14	\$ 92,967

See accompanying notes to condensed consolidated financial statements.

American Independence Corp. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$1,057	\$1,034
Adjustments to reconcile net income to net change in cash from operating activities:		
Net realized investment (gains) losses	15	(186)
Amortization and depreciation	214	213
Equity loss	5	17
Deferred tax expense	495	455
Non-cash stock compensation expense	16	19
Change in operating assets and liabilities:		
Change in insurance reserves	(473)	(1,913)
Change in net amounts due from and to reinsurers	(448)	723
Change in accrued fee income	(437)	(383)
Change in premiums receivable	420	739
Change in income taxes	-	(13)
Change in other assets and other liabilities	(351)	(83)
Net cash provided by operating activities of continuing operations	513	622
Net cash used by operating activities of discontinued operations	-	(79)
Net cash provided by operating activities	513	543
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in net amount due from and to securities brokers	(115)	(461)
Net sales of securities under resale and repurchase agreements	2,649	1,274
Sales of and principal repayments on fixed maturities	7,779	11,661
Maturities and other repayments of fixed maturities	1,479	1,795
Purchases of fixed maturities	(10,722)	(14,246)
Sales of equity securities	849	1,142
Purchases of equity securities	(2,717)	(1,020)
Net cash provided (used) by investing activities	(798)	145
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	21	-
Net cash provided by financing activities	21	-
Increase (decrease) in cash and cash equivalents	(264)	688
Cash and cash equivalents, beginning of period	2,614	4,073
Cash and cash equivalents, end of period	\$2,350	\$4,761

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid during period for:

Income taxes	\$2	\$4
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See accompanying notes to condensed consolidated financial statements.

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American Independence Corp. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Significant Accounting Policies and Practices

(A) Business and Organization

American Independence Corp. is a Delaware corporation (NASDAQ: AMIC). AMIC is a holding company principally engaged in the insurance and reinsurance business through: a) its wholly owned insurance company, Independence American Insurance Company ("Independence American"); b) its managing general underwriter subsidiaries: Risk Assessment Strategies, Inc. ("RAS"), and Marlton Risk Group LLC ("Marlton"); c) its 23% investment in Majestic Underwriters LLC ("Majestic"); d) its 51% ownership in HealthInsurance.org, LLC ("HIO"), an insurance and marketing agency; e) its 51% ownership in Independent Producers of America, LLC ("IPA"), a national career agent marketing organization; f) its wholly owned stop-loss sales office, IHC Risk Solutions – IIG ("IIG"); and g) its wholly owned claims administration company, IHC Risk Solutions, Inc. ("RSI"), formerly known as Excess Claims Administrators, Inc. During 2010, AMIC owned another managing general underwriter, IndependenceCare Underwriting Services – Minneapolis, L.L.C. ("IndependenceCare"), which was put into runoff prior the end of 2009. IndependenceCare, RAS and Marlton are collectively referred to as "AMIC's MGUs". HIO, IIG, IPA, and RSI are collectively referred to as "AMIC's Agencies". After the end of the first quarter of 2011, AMIC consolidated RAS, IIG and RSI into Marlton and changed the name of the merged entity to IHC Risk Solutions LLC ("Risk Solutions").

As used in this report, unless otherwise required by the context, AMIC and its subsidiaries are sometimes collectively referred to as "AMIC", or are implicit in the terms "it", "them" and "their".

Since November 2002, AMIC has been affiliated with Independence Holding Company ("IHC"), which owned 63% of AMIC's stock as of March 31, 2011. The senior management of IHC provides direction to AMIC through a service agreement between AMIC and IHC. IHC has also entered into reinsurance treaties through its wholly owned subsidiaries, Standard Security Life Insurance Company of New York ("Standard Security Life") and Madison National Life Insurance Company, Inc. ("Madison National Life"), whereby AMIC assumes reinsurance premiums from the following lines of business: medical stop-loss, New York statutory disability ("DBL"), short-term medical and group major medical.

(B) Basis of Presentation

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and include the accounts of AMIC and its consolidated subsidiaries. All intercompany transactions have been eliminated in consolidation. The preparation of financial statements in conformity with U.S. GAAP requires AMIC 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. AMIC's annual report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission, should be read in conjunction with the accompanying condensed consolidated financial statements.

In the opinion of AMIC management, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation of the condensed consolidated financial position and results of operations for the interim periods have been included. The condensed consolidated results of operations for the three months ended March 31, 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 amends existing goodwill impairment test guidance 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 AMIC's consolidated financial statements.

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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 AMIC'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 were to be effective for fiscal years beginning after December 15, 2010. The adoption of this guidance did not have a material effect on AMIC's consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

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 AMIC'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. AMIC 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 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 period ended March 31, 2011. AMIC did not recognize subsequent events that provided evidence about conditions that arose after the balance sheet date.

2. Income Per Common Share

Income per common share calculations are based on the weighted-average of common shares and common share equivalents outstanding during the year. Restricted stock and common stock options are considered to be common share equivalents and are used to calculate income per common share except when they are anti-dilutive. For the three months ended March 31, 2011 and 2010, shares from the assumed dilution due to the exercise of common stock options and vesting of restricted stock using the treasury stock method were deemed anti-dilutive.

3. MGU and Agency Income

AMIC records MGU fee income as corresponding policy premiums are earned. AMIC's MGUs are compensated in two ways. They earn fee income based on the volume of business produced for marketing, underwriting and

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administrative services that they provide for their carriers (“fee income–administration”), and earn profit-sharing commissions if such business exceeds certain profitability benchmarks (“fee income–profit commissions”). Profit-sharing commissions are accounted for beginning in the period in which AMIC believes they are reasonably estimable, which is typically at the point that claims have developed to a level where claim development patterns can be applied to generate reasonably reliable estimates of ultimate claim levels. Profit-sharing commissions are a function of an MGU attaining certain profitability thresholds and could vary greatly from quarter to quarter. Agency income consists of commissions, fees and lead revenue earned by AMIC’s Agencies.

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MGU and Agency income consisted of the following:

	Three Months Ended March 31,	
	2011	2010
	(In thousands)	
Agency income	\$ 2,024	\$ 2,283
MGU fee income—administration	1,023	1,103
MGU fee income— profit commissions	269	261
	\$ 3,316	\$ 3,647

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4. Investments

The cost (amortized cost with respect to certain fixed maturities), gross unrealized gains, gross unrealized losses and fair value of long-term investment securities are as follows:

	MARCH 31, 2011			
	AMORTIZED	GROSS	GROSS	FAIR
	COST	UNREALIZED	UNREALIZED	VALUE
		GAINS	LOSSES	
	(In thousands)			
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	\$20,598	\$ 139	\$ (285)	\$20,452
Collateralized mortgage obligations (CMO) – residential	1,255	303	(118)	1,440
CMO – commercial	579	-	(279)	300
States, municipalities and political subdivisions	15,857	115	(274)	15,698
U.S. Government	6,721	133	(1)	6,853
Government sponsored enterprise (GSE)	9,897	80	(43)	9,934
Agency mortgage backed pass through securities (MBS)	242	16	-	258
Total fixed maturities	\$55,149	\$786	\$ (1,000)	\$54,935
EQUITY SECURITIES AVAILABLE-FOR-SALE				
Common stock	\$978	\$57	\$ (14)	\$1,021
Preferred stock with maturities	273	58	-	331
Preferred stock without maturities	4,470	150	(15)	4,605
Total equity securities	\$5,721	\$265	\$ (29)	\$5,957
DECEMBER 31, 2010				
	AMORTIZED	GROSS	GROSS	FAIR
	COST	UNREALIZED	UNREALIZED	VALUE
		GAINS	LOSSES	
	(In thousands)			
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	\$15,850	\$167	\$ (248)	\$15,769
CMO – residential	2,021	279	(107)	2,193
CMO – commercial	579	-	(256)	323
States, municipalities and political subdivisions	17,239	152	(327)	17,064
U.S. Government	10,137	159	-	10,296
GSE	7,678	145	(5)	7,818
MBS	256	17	-	273
Total fixed maturities	\$53,760	\$919	\$ (943)	\$53,736
EQUITY SECURITIES AVAILABLE-FOR-SALE				
Common stock	\$604	\$26	\$ (20)	\$610
Preferred stock with maturities	273	54	-	327
Preferred stock without maturities	2,993	77	(10)	3,060
Total equity securities	\$3,870	\$157	\$ (30)	\$3,997

Government-sponsored enterprise mortgage-backed securities consist of Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities.

The unrealized gains (losses) on certain preferred stocks with maturities at March 31, 2011 and December 31, 2010 includes \$99,000 related to the non-credit related component of other-than-temporary impairment losses recorded in accumulated other comprehensive income in connection with new accounting standards adopted on April 1, 2009

The amortized cost and fair value of fixed maturities at March 31, 2011, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The average life of mortgage-backed securities is affected by prepayments on the underlying loans and, therefore, is materially shorter than the original stated maturity.

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	AMORTIZED COST (In thousands)	FAIR VALUE	% OF TOTAL FAIR VALUE	
Due in one year or less	\$ 2,546	\$ 2,563	5	%
Due after one year through five years	22,725	22,850	42	%
Due after five years through ten years	12,296	12,218	22	%
Due after ten years	9,275	9,048	16	%
	46,842	46,679	85	%
CMO and MBS				
15 years	3,313	3,234	6	%
20 years	-	-	-	%
30 years	4,994	5,022	9	%
	\$ 55,149	\$ 54,935	100	%

The following tables summarize, for all securities in an unrealized loss position at March 31, 2011 and December 31, 2010, the aggregate fair value and gross unrealized loss by length of time, those securities that have continuously been in an unrealized loss position (in thousands):

	Less than 12 Months		March 31, 2011 12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
FIXED MATURITIES:						
Corporate securities	\$12,642	\$257	\$357	\$28	\$12,999	\$285
CMO – residential	28	29	351	89	379	118
CMO – commercial	-	-	300	279	300	279
States, municipalities and political subdivisions	5,543	151	2,424	123	7,967	274
U.S. Government	1,735	1	-	-	1,735	1
GSE	4,097	43	-	-	4,097	43
Total fixed maturities	\$24,045	\$481	\$3,432	\$519	\$27,477	\$1,000

EQUITY SECURITIES:

Common stock	\$190	\$14	\$-	\$-	\$190	\$14
Preferred stock without maturities	-	-	980	15	980	15
Total equity securities	\$190	\$14	\$980	\$15	\$1,170	\$29

	Less than 12 Months		December 31, 2010 12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses

FIXED MATURITIES:

Corporate securities	\$6,970	\$216	\$359	\$32	\$7,329	\$248
CMO – residential	88	16	642	91	730	107
CMO – commercial	-	-	323	256	323	256
States, municipalities and political subdivisions	6,351	189	2,413	138	8,764	327
GSE	544	5	-	-	544	5
Total fixed maturities	\$13,953	\$426	\$3,737	\$517	\$17,690	\$943

EQUITY SECURITIES:

Common stock	\$141	\$20	\$-	\$-	\$141	\$20
Preferred stock without maturities	1,283	10	-	-	1,283	10
Total equity securities	\$1,424	\$30	\$-	\$-	\$1,424	\$30

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At March 31, 2011, a total of 25 fixed maturities and 9 equity securities were in a continuous unrealized loss position for less than 12 months. Also, at March 31, 2011, a total of 6 fixed maturities and one equity security were in a continuous unrealized loss position for 12 months or longer. At December 31, 2010 a total of 20 fixed maturities and 9 equity securities were in a continuous unrealized loss position for less than 12 months. Also, at December 31, 2010, a total of 7 fixed maturities were in a continuous unrealized loss position for 12 months or longer. Except for certain fixed maturities which are determined to be other-than-temporarily impaired, there are no securities past due or securities for which AMIC currently believes it is not probable that it will collect the current amortized cost basis of the security.

Substantially all of the unrealized losses on fixed maturities at March 31, 2011 and December 31, 2010 were attributable to changes in market interest rates and general disruptions in the credit market subsequent to purchase. The unrealized losses on corporate securities and state and political subdivisions are due to wider spreads. Spreads have widened in recent years as investors shifted funds to US Treasuries in response to the current market turmoil. Because AMIC does not intend to sell, nor is it more likely than not that AMIC will have to sell, such investments before recovery of their amortized cost bases, AMIC does not consider those investments to be other-than-temporarily impaired at March 31, 2011.

At March 31, 2011, AMIC had \$1,268,000 invested in whole loan CMOs backed by Alt-A mortgages. Of this amount, 74.1% were in CMOs that originated in 2005 or earlier and 25.9% were in CMOs that originated in 2006 or later. The unrealized losses on all other CMO's relate to prime rate CMO's and are primarily attributable to general disruptions in the credit market subsequent to purchase.

Other-Than-Temporary Impairment Evaluations

AMIC reviews its investment securities regularly and determines whether other-than-temporary impairments have occurred. Beginning April 1, 2009, AMIC adopted new accounting guidance that specified new criteria for identifying and recognizing other-than-temporary impairment losses on fixed maturities. The factors considered by AMIC's management in its regular review include, but are not limited to: the length of time and extent to which the fair value has been less than cost; AMIC's intent to sell, or be required to sell, the debt security before the anticipated recovery of its remaining amortized cost basis; the financial condition and near-term prospects of the issuer; adverse changes in ratings announced by one or more rating agencies; subordinated credit support; whether the issuer of a debt security has remained current on principal and interest payments; current expected cash flows; whether the decline in fair value appears to be issuer specific or, alternatively, a reflection of general market or industry conditions including the effect of changes in market interest rates. If AMIC intends to sell a debt security, or it is more likely than not that it would be required to sell a debt security before the recovery of its amortized cost basis, the entire difference between the security's amortized cost basis and its fair value at the balance sheet date would be recognized by a charge to total other-than-temporary impairment losses in the Condensed Consolidated Statement of Operations. If a decline in fair value of a debt security is judged by AMIC's management to be other-than-temporary and; (i) AMIC does not intend to sell the security; and (ii) it is not more likely than not that it will be required to sell the security prior to recovery of the security's amortized cost, AMIC assesses whether the present value of the cash flows to be collected from the security is less than its amortized cost basis. To the extent that the present value of the cash flows generated by a debt security is less than the amortized cost basis, a credit loss exists. For any such security, the impairment is bifurcated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized by a charge to total other-than-temporary impairment losses in the Condensed Consolidated Statements of Operations, establishing a new cost basis for the security. The amount of the other-than-temporary impairment related to all other factors is recognized in other comprehensive income in the Condensed Consolidated Balance Sheets. It is reasonably possible that further declines in estimated fair values of such investments, or changes in assumptions or estimates of anticipated recoveries and/or cash flows, may cause further other-than-temporary impairments in the near term, which

could be significant.

In assessing corporate debt securities for other-than-temporary impairment, AMIC evaluates the ability of the issuer to meet its debt obligations and the value of the company or specific collateral securing the debt position. For mortgage-backed securities where loan level data is not available, AMIC uses a cash flow model based on the collateral characteristics. Assumptions about loss severity and defaults used in the model are primarily based on actual losses experienced and defaults in the collateral pool. Prepayment speeds, both actual and estimated, are also considered. The cash flows generated by the collateral securing these securities are then determined with these default, loss severity and prepayment assumptions. These collateral cash flows are then utilized, along with consideration for the issue's position in the overall structure, to determine the cash flows associated with the mortgage-backed security held by AMIC. In addition, AMIC evaluates other asset-backed securities for other-than-temporary impairment by examining similar characteristics referenced above for mortgage-backed securities. AMIC evaluates U.S. Treasury securities and obligations of U.S. Government corporations, U.S. Government agencies, and obligations of states and political subdivisions for other-than-temporary impairment by examining the terms and collateral of the security.

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Prior to April 1, 2009, AMIC assessed its ability and intent to hold a fixed maturity for a period of time sufficient to allow for a recovery in fair value. If AMIC could not assert this condition, an other-than-temporary impairment loss was recognized in the Condensed Consolidated Statements of Operations.

Equity securities may experience other-than-temporary impairment in the future based on the prospects for full recovery in value in a reasonable period of time and AMIC's ability and intent to hold the security to recovery. If a decline in fair value is judged by AMIC's management to be other-than-temporary or AMIC's management does not have the intent or ability to hold a security, a loss is recognized by a charge to total other-than-temporary impairment losses in the Condensed Consolidated Statements of Operations for the difference between the carrying value and the fair value of the securities. For the purpose of other-than-temporary impairment evaluations, preferred stocks with maturities are treated in a manner similar to debt securities. Declines in the creditworthiness of the issuer of debt securities with both debt and equity-like features requires the use of the equity model in analyzing the security for other-than-temporary impairment.

Subsequent increases and decreases, if not an other-than-temporary impairment, in the fair value of available-for-sale securities that were previously impaired, are included in other comprehensive income in the Condensed Consolidated Balance Sheet.

Cumulative credit losses for other-than-temporary impairments recorded on securities for which a portion of an other-than-temporary impairment was recognized in other comprehensive income were as follows (in thousands):

Balance at December 31, 2010	\$99
Additions	-
Balance at March 31, 2011	\$99

Further deterioration in credit quality of the companies backing the securities, further deterioration in the condition of the financial services industry, a continuation of the current imbalance in liquidity that exist in the marketplace, a continuation or worsening of the current economic recession, or additional declines in real estate values may further affect the fair value of these securities and increase the potential that certain unrealized losses be designated as other-than-temporary in future periods and AMIC may incur additional write-downs.

5. Net Realized Investment Gains (Losses)

Net realized investment gains (losses) for the three months ended March 31, 2011 and 2010 are as follows (in thousands):

	Three Months Ended March 31,	
	2011	2010
Net realized investment gains (losses):		
Fixed maturities	\$ 2	\$ 168
Common stock	(17)	21
Preferred stock	-	(3)
Net realized investment gains (losses)	\$ (15)	\$ 186

For the three months ended March 31, 2011, AMIC recorded realized gross gains of \$91,000 and gross losses of \$106,000 on sales of available-for-sale securities. For the three months ended March 31, 2010, AMIC recorded realized gross gains of \$263,000 and gross losses of \$77,000 on sales of available-for-sale securities.

6. Fair Value Measurements

For all financial and non-financial instruments accounted for at fair value on a recurring basis, AMIC utilizes valuation techniques based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect AMIC's market expectations. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Instruments where significant value drivers are unobservable.

The following section describes the valuation methodologies AMIC uses to measure different financial instruments at fair value.

Investments in fixed maturities and equity securities

Available-for-sale securities included in Level 1 are equity securities with quoted market prices. Level 2 is primarily comprised of AMIC's portfolio of corporate fixed income securities, government agency mortgage-backed securities, government sponsored enterprises, certain CMO securities, municipals and certain preferred stocks that were priced with observable market inputs. Level 3 securities consist of certain CMO securities, primarily Alt-A mortgages. For these securities, AMIC uses industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on AMIC management's assumptions and available market information. Further, they retain independent pricing vendors to assist in valuing certain instruments.

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The following tables present AMIC's financial assets measured at fair value on a recurring basis at March 31, 2011 and December 31, 2010, respectively (in thousands):

	March 31, 2011			Total
	Level 1	Level 2	Level 3	
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	\$ -	\$ 20,452	\$ -	\$ 20,452
CMO - residential	-	123	1,317	1,440
CMO – commercial	-	-	300	300
States, municipalities and political subdivisions	-	15,698	-	15,698
U.S. Government	-	6,853	-	6,853
GSE	-	9,934	-	9,934
MBS - residential	-	258	-	258
Total fixed maturities	-	53,318	1,617	54,935
Equity securities available-for-sale:				
Common stock	1,021	-	-	1,021
Preferred stock with maturities	331	-	-	331
Preferred stock without maturities	4,605	-	-	4,605
Total equity securities	5,957	-	-	5,957
Total financial assets	\$ 5,957	\$ 53,318	\$ 1,617	\$ 60,892
	December 31, 2010			Total
	Level 1	Level 2	Level 3	
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	\$ -	\$ 15,769	\$ -	\$ 15,769
CMO - residential	-	634	1,559	2,193
CMO – commercial	-	-	323	323
States, municipalities and political subdivisions	-	17,064	-	17,064
U.S. Government	-	10,296	-	10,296
GSE	-	7,818	-	7,818
MBS - residential	-	273	-	273
Total fixed maturities	-	51,854	1,882	53,736
Equity securities available-for-sale:				
Common stock	610	-	-	610
Preferred stock with maturities	327	-	-	327
Preferred stock without maturities	3,060	-	-	3,060
Total equity securities	3,997	-	-	3,997
Total financial assets	\$ 3,997	\$ 51,854	\$ 1,882	\$ 57,733

It is AMIC's policy to recognize transfers of assets and liabilities between levels of the fair value hierarchy at the end of a reporting period. For the three months ending March 31, 2011, there were no transfers of assets and liabilities between Level 1 and Level 2 of the fair value hierarchy. No securities were transferred out of the Level 2 and into the Level 3 category as a result of limited or inactive markets during the first three months of 2011. AMIC does not transfer out of Level 3 and into Level 2 until such time as observable inputs become available and reliable or the range of available independent prices narrow. No securities were transferred out of the Level 3 category in the first three months of 2011. The changes in the carrying value of Level 3 assets and liabilities for the three months ended March 31, 2011 are summarized as follows (in thousands):

	March 31, 2011		
	Residential	Commercial	Total
Balance, beginning of period	\$ 1,559	\$ 323	\$ 1,882
Sales of securities	(211)	-	(211)
Repayments of fixed maturities	(54)	-	(54)
Net realized investment losses	(20)	-	(20)
Net unrealized gain (loss) included in accumulated other comprehensive income	43	(23)	20
Balance, end of period	\$ 1,317	\$ 300	\$ 1,617

7. Other Intangible Assets

The change in the carrying amount of other intangible assets for the three months ended March 31, 2011 is as follows (in thousands):

	Other Intangible Assets
Balance at December 31, 2010	\$ 1,689
Amortization expense	(195)
Balance at March 31, 2011	\$ 1,494

8. Related-Party Transactions

AMIC and its subsidiaries incurred expense of \$287,000 and \$312,000 for the three months ended March 31, 2011 and 2010, respectively, from service agreements with IHC and its subsidiaries which is recorded in Selling, General and Administrative Expenses in the Condensed Consolidated Statements of Operations. These payments reimburse IHC and its subsidiaries, at agreed upon rates including an overhead factor, for certain services provided to AMIC and its subsidiaries, including general management, corporate strategy, accounting, legal, compliance, underwriting, and claims.

Independence American assumes premiums from IHC subsidiaries, and records related insurance income, expenses, assets and liabilities. Independence American pays administrative fees and commissions to subsidiaries of IHC in connection with fully insured health and medical stop-loss business written and assumed by Independence American. Additionally, AMIC's MGUs market, underwrite and provide administrative services, and RSI provides medical management and claims adjudication, for a substantial portion of the medical stop-loss business written by the

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insurance subsidiaries of IHC. AMIC's MGUs and RSI record related income, assets and liabilities in connection with that business. Such related-party information is disclosed on the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations. AMIC also contracts for several types of insurance coverage (e.g. directors and officers and professional liability coverage) jointly with IHC. The cost of this coverage is split proportionally between AMIC and IHC according to the type of risk and AMIC's portion is recorded in Selling, General and Administrative Expenses.

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9. Share-Based Compensation

Total share-based compensation expense was \$16,000 and \$19,000 for the three months ended March 31, 2011 and 2010, respectively. Related tax benefits of \$5,000 and \$7,000 were recognized for the three months ended March 31, 2011 and 2010, respectively.

Under the terms of AMIC's stock-based compensation plan, option exercise prices are equal to the quoted market price of the shares at the date of grant; option terms are ten years; and vesting periods range from three to four years. AMIC may also grant shares of restricted stock, stock appreciation rights and share-based performance awards. Restricted shares are valued at the quoted market price of the shares at the date of grant, and have a three year vesting period.

Stock Options

The following table summarizes information regarding outstanding and exercisable options as of March 31, 2011:

	Outstanding	Exercisable
Number of options	322,844	309,510
Weighted average exercise price per share	\$ 10.56	\$ 10.81
Aggregate intrinsic value of options	\$ 9,817	\$ 6,817
Weighted average contractual term remaining	3.44 years	3.21 years

AMIC's stock option activity for the three months ended March 31, 2011 is as follows:

	No. of Shares Under Option	Weighted Average Exercise Price
Balance, December 31, 2010	359,234	\$ 9.95
Expired	(31,668)	4.50
Exercised	(4,722)	4.50
Balance, March 31, 2011	322,844	\$ 10.56

Compensation expense of \$12,000 and \$14,000 was recognized for the three months ended March 31, 2011 and 2010, respectively, for the portion of the fair value of stock options vesting during that period.

As of March 31, 2011, there was approximately \$39,000 of total unrecognized compensation expense related to non-vested options which will be recognized over the remaining requisite service periods.

Restricted Stock

AMIC issued 12,000 restricted stock awards in the second quarter of 2008, with a weighted average grant-date fair value of \$6.92 per share. No restricted stock awards were issued in 2010 and 2011. Restricted stock expense was \$4,000 and \$5,000, for the three months ended March 31, 2011 and 2010, respectively.

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The following table summarized restricted stock activity for the three months ended March 31, 2011:

	No. of Non-vested Shares	Weighted Average Exercise Price
Balance, December 31, 2010	2,500	\$ 6.92
Forfeited	-	-
Balance, March 31, 2011	2,500	\$ 6.92

As of March 31, 2011, there was approximately \$4,000 of total unrecognized compensation expense related to non-vested restricted stock which will be recognized over the remaining requisite service periods.

10. Other Comprehensive Income

The components of other comprehensive income (loss) include (i) net income or loss reported in the Condensed Consolidated Statements of Operations, (ii) certain amounts reported directly in stockholders' equity, principally the after-tax net unrealized gains and losses on investment securities available for sale including the subsequent increases and decreases in fair value of available-for-sale securities previously impaired, and (iii) effective April 1, 2009, the non-credit related component of other-than-temporary impairments of fixed maturities.

The comprehensive income for the three months ended March 31, 2011 and 2010 is summarized as follows (in thousands):

	Three Months Ended March 31,	
	2011	2010
Net income	\$ 1,057	\$ 1,034
Unrealized holdings gains (losses) arising during the period	(96)	626
Reclassification adjustment for (gains) losses included in earnings	15	(186)
Net unrealized gains (losses) on certain available-for-sale securities arising during the period	(81)	440
Comprehensive income	976	1,474
Comprehensive income attributable to non-controlling interests	(120)	(191)
Comprehensive income attributable to American Independence Corp.	\$ 856	\$ 1,283

Accumulated other comprehensive income at March 31, 2011 and December 31, 2010 includes an adjustment of \$99,000 related to the non-credit related component of other-than-temporary impairment losses recorded in connection with new accounting standards adopted on April 1, 2009. No losses for other-than-temporary impairments were recognized in other comprehensive income since the adoption, in the second quarter of 2009, of the new accounting standards related to other-than-temporary impairments.

11. Income Taxes

The provision for income taxes shown in the Condensed Consolidated Statements of Operations was computed based on AMIC's actual results which approximate the effective tax rate expected to be applicable for the balance of the current fiscal year. At March 31, 2011, AMIC had consolidated net operating loss ("NOL") carryforwards of approximately \$272,600,000 for federal income tax purposes which expire between 2019 and 2029.

The net deferred tax assets shown in the Condensed Consolidated Balance Sheets for the periods ending March 31, 2011 and December 31, 2010 are \$9,786,000 and \$10,250,000, respectively. In assessing the realizability of deferred tax assets, AMIC's management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. AMIC's management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. AMIC's management believes that it is more likely than not that AMIC will realize the benefits of these net deferred tax assets recorded at March 31, 2011.

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Report of Management on Internal Control Over Financial Reporting

The Board of Directors and Stockholders
American Independence Corp.

The management of American Independence Corp. (“AMIC”) is responsible for establishing and maintaining adequate internal control over financial reporting. AMIC’s internal control system was designed to provide reasonable assurance to American Independence Corp.’s management and Board of Directors regarding reliability of financial reporting and the preparation and fair presentation of published financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of AMIC’s internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control –Integrated Framework. Based on our assessment we concluded that, as of December 31, 2010, AMIC’s internal control over financial reporting is effective.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
American Independence Corp.:

We have audited the accompanying consolidated balance sheets of American Independence Corp. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2010. In connection with our audits of the consolidated financial statements, we have also audited financial statement schedules I to III and V. These consolidated financial statements and schedules are the responsibility of American Independence Corp.'s management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. American Independence Corp. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of American Independence Corp.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Independence Corp. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010 in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 2 and Note 6, effective April 1, 2009, American Independence Corp. changed its method of evaluating other-than-temporary impairments of fixed maturity securities due to the adoption of new accounting requirements issued by the Financial Accounting Standards Board.

/s/ KPMG LLP

New York, New York

March 17, 2011

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American Independence Corp. and Subsidiaries

Consolidated Balance Sheets
(In thousands, except share data)

	December 31,	
	2010	2009
ASSETS:		
Investments:		
Securities purchased under agreements to resell	\$6,716	\$2,577
Fixed maturities available-for-sale, at fair value	53,736	49,641
Equity securities available-for-sale, at fair value	3,997	5,412
Total investments	64,449	57,630
Cash and cash equivalents	2,614	4,073
Restricted cash (\$2,562 and \$3,198, respectively, restricted by related parties)	4,194	5,521
Accrued investment income	429	454
Premiums receivable (\$4,157 and \$4,946, respectively, due from related parties)	10,065	10,540
Net deferred tax asset	10,250	11,272
Due from reinsurers (\$5,300 and \$7,047, respectively, due from related parties)	9,155	11,011
Goodwill	23,561	23,561
Intangible assets	1,689	2,473
Accrued fee income (\$541 and \$452, respectively, due from related parties)	1,233	804
Due from securities brokers	65	19
Other assets	5,645	7,024
TOTAL ASSETS	\$ 133,349	\$ 134,382
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Insurance reserves (\$13,440 and \$18,630, respectively, due to related parties)	\$24,998	\$29,286
Premium and claim funds payable (\$2,562 and \$3,198, respectively, due to related parties)	4,194	5,521
Commission payable (\$2,404 and \$2,391, respectively, due to related parties)	4,181	3,928
Accounts payable, accruals and other liabilities (\$357 and \$276, respectively, due to related parties)	3,557	3,071
State income taxes payable	835	703
Due to securities brokers	1,327	828
Due to reinsurers (\$162 and \$160 respectively, due to related parties)	2,080	1,680
Net liabilities associated with discontinued operations	-	106
Total liabilities	41,172	45,123
STOCKHOLDERS' EQUITY:		
American Independence Corp. stockholders' equity:		
Preferred stock, \$0.10 par value, 1,000 shares designated; no shares issued and outstanding	-	-
Common stock, \$0.01 par value, 15,000,000 shares authorized; 9,181,793 shares issued, respectively; 8,508,591 and 8,506,489 shares outstanding, respectively	92	92

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Additional paid-in capital	479,910	479,864
Accumulated other comprehensive income (loss)	103	(826)
Treasury stock, at cost, 673,202 shares and 675,304 shares, respectively	(7,976)	(8,082)
Accumulated deficit	(380,069)	(382,075)
Total American Independence Corp. stockholders' equity	92,060	88,973
Non-controlling interest in subsidiaries	117	286
Total equity	92,177	89,259
TOTAL LIABILITIES AND EQUITY	\$133,349	\$134,382

See accompanying notes to consolidated financial statements.

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American Independence Corp. and Subsidiaries
 Consolidated Statements of Operations
 (In thousands, except per share data)

	Year Ended December 31,		
	2010	2009	2008
REVENUES:			
Premiums earned (\$34,299, \$45,519 and \$57,031, respectively, from related parties)	\$73,859	\$85,515	\$96,984
MGU and agency income (\$4,904, \$5,272 and \$6,871, respectively, from related parties)	13,425	15,340	14,572
Net investment income	2,518	2,924	3,583
Net realized investment gains (loss)	(244)	275	(1,896)
Total other-than-temporary impairment losses (no current period impairment losses were recognized in other comprehensive income)	(179)	-	(1,006)
Other income	25	193	1,075
	89,404	104,247	113,312
EXPENSES:			
Insurance benefits, claims and reserves (\$22,982, \$31,009 and \$39,670, respectively, from related parties)	50,226	59,658	70,114
Selling, general and administrative expenses (\$11,927, \$14,825 and \$18,239, respectively, from related parties)	34,244	39,109	40,263
Amortization and depreciation	861	842	793
	85,331	99,609	111,170
Income from continuing operations before income tax	4,073	4,638	2,142
Provision for income taxes	1,091	1,472	631
Income from continuing operations	2,982	3,166	1,511
Loss on disposition of discontinued operations, net of tax	-	-	(75)
Net income	2,982	3,166	1,436
Less: Net income attributable to the non-controlling interest	(883)	(554)	(471)
Net income attributable to American Independence Corp.	\$2,099	\$2,612	\$965
Basic income per common share:			
Income from continuing operations attributable to American Independence Corp. common stockholders	\$.25	\$.31	\$.12
Loss from discontinued operations attributable to American Independence Corp. common stockholders	-	-	(.01)
Net income attributable to American Independence Corp. common stockholders	\$.25	\$.31	\$.11
Weighted-average shares outstanding	8,509	8,505	8,504
Diluted income per common share:			

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Income from continuing operations attributable to American Independence Corp. common stockholders	\$.25	\$.31	\$.12
Loss from discontinued operations attributable to American Independence Corp. common stockholders	-	-	(.01)
Net income attributable to American Independence Corp. common stockholders	\$.25	\$.31	\$.11
Weighted-average diluted shares outstanding	8,509	8,505	8,504

See accompanying notes to consolidated financial statements.

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American Independence Corp. and Subsidiaries
 Consolidated Statements of Changes In Stockholders' Equity
 Years Ended December 31, 2008, 2009 and 2010
 (In thousands)

	ACCUMULATED				NON-			
	ADDITIONAL	OTHER	TREASURY		TOTAL	AMIC	CONTROLLING	
	COMMON	PAID-IN	COMPREHENSIVE	STOCK	ACCUMULATED	STOCKHOLDERS'	IN	TOTAL
	STOCK	CAPITAL	INCOME	AT	DEFICIT	EQUITY	SUBSIDIARIES	EQUITY
			(LOSS)	COST			INTERESTS	
BALANCE AT DECEMBER 31, 2007	\$ 92	\$ 479,640	\$ (1,204)	\$ (8,112)	\$ (385,739)	\$ 84,677	\$ 52	\$84,729
Net income					965	965	471	1,436
Net change in unrealized gains (losses)			(2,853)			(2,853)	-	(2,853)
Total comprehensive income						(1,888)	471	(1,417)
Acquisition of IPA, LLC							432	432
Acquisition of Marlton 20% interest							(64)	(64)
Dividends paid to non-controlling interest							(462)	(462)
Share-based compensation expense		143				143	-	143
BALANCE AT DECEMBER 31, 2008	92	479,783	(4,057)	(8,112)	(384,774)	82,932	429	83,361
Net income					2,612	2,612	554	3,166
Net change in unrealized gains (losses) on certain available-for-sale securities			3,330			3,330	-	3,330
Total comprehensive income						5,942	554	6,496

Cumulative effect of adjustment on April 1, 2009 due to adoption of new accounting guidance, net of tax			(99)		99	-	-	-
Dividends paid to non-controlling interest							(697)	(697)
Other stock issuances		(18)		30	(12)	-	-	-
Share-based compensation expense		99				99	-	99
BALANCE AT DECEMBER 31, 2009	92	479,864	(826)	(8,082)	(382,075)	88,973	286	89,259
Net income					2,099	2,099	883	2,982
Net change in unrealized gains (losses) on certain available-for-sale securities			929			929	-	929
Total comprehensive income						3,028	883	3,911
Exercise of stock options				120	(75)	45		45
Repurchase of common stock				(60)		(60)		(60)
Dividends paid to non-controlling interest							(1,052)	(1,052)
Other stock issuances		(28)		46	(18)	-	-	-
Share-based compensation expense		74				74	-	74
BALANCE AT DECEMBER 31, 2010	\$ 92	\$ 479,910	\$ 103	\$ (7,976)	\$ (380,069)	\$ 92,060	\$ 117	\$ 92,177

See accompanying notes to consolidated financial statements.

American Independence Corp. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$2,982	\$3,166	\$1,436
Adjustments to reconcile net income to net change in cash from operating activities:			
Net realized investment (gains) losses	244	(275)	1,896
Other-than-temporary impairment losses	179	-	1,006
Loss on disposal of discontinued operations	-	-	75
Amortization and depreciation	861	842	793
Equity loss	45	29	56
Deferred tax expense	1,154	1,438	620
Non-cash stock compensation expense	74	99	143
Change in operating assets and liabilities:			
Net sales of trading securities	-	-	142
Change in insurance reserves	(4,288)	(3,474)	449
Change in net amounts due from and to reinsurers	2,256	30	(312)
Change in accrued fee income	(429)	151	158
Change in premiums receivable	475	(969)	355
Change in current income tax liability	(102)	(23)	(106)
Change in other assets and other liabilities	28	(494)	(4,108)
Net cash provided by operating activities of continuing operations	3,479	520	2,603
Net cash used by operating activities of discontinued operations	(93)	(260)	(148)
Net cash provided by operating activities	3,386	260	2,455
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net sales of short-term investments	-	-	2,368
Change in net amount due from and to securities brokers	453	809	-
Change in securities under resale and repurchase agreements	(4,139)	1,340	2,006
Sales of and principal repayments on fixed maturities	39,396	27,226	11,649
Maturities and other repayments of fixed maturities	8,329	8,838	5,230
Purchases of fixed maturities	(50,380)	(37,219)	(19,994)
Sales of equity securities	8,239	607	622
Purchases of equity securities	(6,728)	(2,189)	(962)
Acquisition of Marlton 20% interest	-	-	(3,700)
Acquisition of IPA, LLC, net of cash acquired	-	-	(1,557)
Net cash used by investing activities	(4,830)	(588)	(4,338)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	45	-	-
Repurchase of common stock	(60)	-	-

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Net cash used by financing activities	(15)	-	-		
Decrease in cash and cash equivalents	(1,459)	(328)	(1,883)
Cash and cash equivalents, beginning of period	4,073		4,401		6,284	
Cash and cash equivalents, end of period	\$2,614		\$4,073		\$4,401	

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid during period for:

Income taxes	\$9		\$28		\$108
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See accompanying notes to the American Independence Corp. consolidated financial statements.

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American Independence Corp. and Subsidiaries
Notes to American Independence Corp. Consolidated Financial Statements

1. Nature of Business

American Independence Corp. is a Delaware corporation (NASDAQ: AMIC). American Independence Corp. is a holding company principally engaged in the insurance and reinsurance business through: a) its wholly owned insurance company, Independence American; b) its managing general underwriter subsidiaries: Risk Assessment Strategies, Inc. (“RAS”), and Marlton Risk Group LLC (“Marlton”); c) its 23% investment in Majestic Underwriters LLC (“Majestic”); d) its 51% ownership in HealthInsurance.org, LLC (“HIO”), an insurance and marketing agency; e) its 51% ownership in Independent Producers of America, LLC (“IPA”), a national career agent marketing organization; f) its wholly owned stop-loss sales office, IHC Risk Solutions – IIG (“IIG”); and g) its wholly owned claims administration company, IHC Risk Solutions, Inc. (“RSI”), formerly known as Excess Claims Administrators, Inc. During 2010, AMIC owned another managing general underwriter, IndependenceCare Underwriting Services – Minneapolis, L.L.C. (“IndependenceCare”), which was put into runoff prior the end of 2009. IndependenceCare, RAS and Marlton are collectively referred to as “AMIC’s MGUs”. HIO, IIG, IPA, and RSI are collectively referred to as “its Agencies”.

Prior to November 14, 2002, American Independence Corp. (then known as SoftNet Systems, Inc.) was a holding company principally engaged in providing Internet services. All previously reported business segments have ceased operations or have been sold, and accordingly are reported as discontinued operations (see Note 11 of Notes to Consolidated Financial Statements).

Since November 2002, AMIC has been affiliated with Independence Holding Company (“IHC”), an insurance holding company, which owned 50.1% of AMIC’s stock as of December 31, 2010. In March 2010, upon approval of the AMIC Board of Directors, IHC acquired control of AMIC through the purchase of approximately 28,000 shares of common stock of AMIC in the open market. Subsequent to December 31, 2010, IHC acquired 1,100,325 shares of AMIC, bringing its ownership to 63%. The senior management of IHC provides direction to American Independence Corp. through a service agreement between American Independence Corp. and IHC. IHC has also entered into long-term reinsurance treaties through its wholly owned subsidiaries, Standard Security Life and Madison National Life, whereby American Independence Corp. assumes reinsurance premiums from the following lines of business: medical stop-loss, New York statutory disability (“DBL”), short-term medical and group major medical.

2. Summary of Significant Accounting Policies

(A) Principles of Consolidation and Presentation of Financial Statements

The consolidated financial statements have been prepared in conformity with GAAP and include the accounts of AMIC and its consolidated subsidiaries. All 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.

(B) Reclassifications

Certain amounts in prior years’ Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2010 presentation.

(C) 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. American Independence Corp. has evaluated all such events occurring subsequent to the balance sheet date herein of December 31, 2010. 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 Consolidated Balance Sheet and Consolidated Statement of Operations as of and for the twelve-month period ended December 31, 2010. American Independence Corp. did not recognize subsequent events that provided evidence about conditions that arose after the balance sheet date.

(D) Investment in Majestic Underwriters LLC

American Independence Corp.'s investment in Majestic Underwriters LLC (see Note 9 of Notes to Consolidated Financial Statements) is carried on the equity method with American Independence Corp.'s share of income or loss credited or charged, as appropriate, to net investment income in the Consolidated Statements of Operations with a corresponding charge to American Independence Corp.'s investment account. American Independence Corp. also reduces its investment for its proportionate share of the amortization expense for the intangible assets recorded in the acquisition.

(E) Goodwill and Other Intangibles

Goodwill and intangible assets with indefinite lives, which consist of licenses, are not amortized but are evaluated for impairment in the aggregate at the end of the fourth quarter of each year, or more frequently if indicators arise. If the fair value of American Independence Corp. is less than its carrying amount (including goodwill), further evaluation is required to determine if a write-down of goodwill is required. In determining its fair value, American Independence Corp. used an income approach, applying a discounted cash flow method which included a residual value. Based on historical experience, American Independence Corp. made assumptions as to: (i) expected future performance and future economic conditions, (ii) projected operating earnings, (iii) projected new and renewal business as well as profit margins on such business, and (iv) a discount rate that incorporated an appropriate risk level for American Independence Corp. Any impairment write-down of goodwill would be charged to expense. No impairment charge was required in 2010 or 2009.

American Independence Corp.'s intangible assets with definite lives, consisting of broker/third party relationships and marketing agreements, are amortized over the expected life of the assets (see Note 4 of Notes to the American Independence Corp. Consolidated Financial Statements).

(F) Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash and highly liquid securities with maturities of three months or less from date of purchase. Restricted cash primarily consists of funds held by AMIC's MGUs for the benefit of their insurers and reinsurers. These funds are restricted and are to be used to facilitate expeditious payment of approved claims. The funds are replenished by the insurers and reinsurers as claims are paid by AMIC's MGUs.

(G) Short-Term Investments

Investments with original maturities of 91-days to 1 year are considered short-term investments and are carried at cost which approximates fair value.

(H) Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

Securities purchased under agreements to resell (“resale agreements”) and securities sold under agreements to repurchase (“repurchase agreements”) are carried at the amounts at which the securities will be subsequently resold or repurchased as specified in the agreements.

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(I) Investment Securities

(i) Investments in fixed income securities, redeemable preferred stock equity securities and derivatives (options and options on future contracts) are accounted for as follows:

(a) Securities which are held for trading purposes are carried at estimated fair value (“fair value”). Changes in fair value are credited or charged, as appropriate, to net realized investment gains in the Consolidated Statements of Operations.

(b) Securities not held for trading purposes which may or may not be held to maturity (“available-for-sale securities”) are carried at fair value. Unrealized gains and losses deemed temporary are credited or charged, as appropriate, directly to accumulated other comprehensive income (a component of stockholders’ equity). Premiums and discounts on debt securities purchased at other than par value are amortized and accreted, respectively, to interest income in the Consolidated Statements of Operations, using the constant yield method over the period to maturity. Realized gains and losses on sales of available-for-sale securities are credited or charged, as appropriate, to net realized investment gains in the Consolidated Statements of Operations.

(ii) Financial instruments sold, but not yet purchased, represent obligations to replace borrowed securities that have been sold. Such transactions occur in anticipation of declines in the fair value of the securities. American Independence Corp.’s risk is an increase in the fair value of the securities sold in excess of the consideration received, but that risk is mitigated as a result of relationships to certain securities owned. Unrealized gains or losses on open transactions are credited or charged, as appropriate, to net realized investment gains in the Consolidated Statements of Operations. While the transaction is open, American Independence Corp. will also incur an expense for any accrued dividends or interest payable to the lender of the securities. When the transaction is closed, American Independence Corp. realizes a gain or loss in an amount equal to the difference between the price at which the securities were sold and the cost of replacing the borrowed securities. There were no such transactions outstanding at December 31, 2010 and 2009.

(iii) Realized gains or losses on sales of securities are determined on the basis of specific identification.

(iv) American Independence Corp. enters into derivative transactions, such as put and call option contracts and options on interest rate futures contracts, to minimize losses on portions of American Independence Corp.’s fixed income portfolio in a rapidly changing interest rate environment. Equity index options are entered into to offset price fluctuations in the equity markets. These derivative financial instruments are all readily marketable and are carried on the Consolidated Balance Sheets at their current fair value with changes in fair value (unrealized gains or losses), credited or charged, as appropriate, to net realized investment gains in the Consolidated Statements of Operations. All realized gains and losses are reflected currently in the Consolidated Statements of Operations. Gains on these instruments were \$0, \$205,000 and \$1,196,000 during 2010, 2009 and 2008, respectively. There were no such derivative transactions outstanding at December 31, 2010, 2009 and 2008.

(v) Fair value is determined using quoted market prices when available. In some cases, American Independence Corp. uses quoted market prices for similar instruments in active markets and/or model-derived valuations where inputs are observable in active markets. When there are limited or inactive trading markets, American Independence Corp. uses industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on management assumptions and available current market information. Further, American Independence Corp. retains independent pricing vendors to assist in valuing certain instruments.

(vi) American Independence Corp. reviews its investment securities regularly and determines whether other-than-temporary impairments have occurred. Beginning April 1, 2009, American Independence Corp. adopted new accounting guidance that specified new criteria for identifying and recognizing other-than-temporary impairment losses on fixed maturities. The factors considered by management in its regular review include, but are not limited to: the length of time and extent to which the fair value has been less than cost; American Independence Corp.’s intent to sell, or be required to sell, the debt security before the anticipated recovery of its remaining amortized cost basis; the financial condition and near-term prospects of the issuer; adverse changes in ratings announced by one or more rating agencies; subordinated credit support; whether the issuer of a debt security has remained current on principal and interest payments; current expected cash flows; whether the decline in fair value appears to be issuer specific or, alternatively, a reflection of general market or industry conditions including the effect of changes in market interest

rates. If American Independence Corp. intends to sell a debt security, or it is more likely than not that it would be required to sell a debt security before the recovery of its amortized cost basis, the entire difference between the security's amortized cost basis and its fair value at the balance sheet date would be recognized by a charge to total other-than-temporary impairment losses in the Consolidated Statement of Operations. If a decline in fair value of a debt security is judged by management to be other-than-temporary and; (i) American Independence Corp. does not intend to sell the security; and (ii) it is not more likely than not that it will be required to sell the security prior to recovery of the security's amortized cost, American Independence Corp. assesses whether the present value of the cash flows to be collected from the security is less than its amortized cost basis. To the extent that the present value of the cash flows generated by a debt security is less than the amortized cost basis, a credit loss exists. For any such security, the impairment is bifurcated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized by a charge to total other-than-temporary impairment losses in the Consolidated Statements of Operations, establishing a new cost basis for the security. The amount of the other-than-temporary impairment related to all other factors is recognized in other comprehensive income in the Consolidated Balance Sheets. It is reasonably possible that further declines in estimated fair values of such investments, or changes in assumptions or estimates of anticipated recoveries and/or cash flows, may cause further other-than-temporary impairments in the near term, which could be significant.

In assessing corporate debt securities for other-than-temporary impairment, American Independence Corp. evaluates the ability of the issuer to meet its debt obligations and the value of the company or specific collateral securing the debt position. For mortgage-backed securities where loan level data is not available, American Independence Corp. uses a cash flow model based on the collateral characteristics. Assumptions about loss severity and defaults used in the model are primarily based on actual losses experienced and defaults in the collateral pool. Prepayment speeds, both actual and estimated, are also considered. The cash flows generated by the collateral securing these securities are then determined with these default, loss severity and prepayment assumptions. These collateral cash flows are then utilized, along with consideration for the issue's position in the overall structure, to determine the cash flows associated with the mortgage-backed security held by American Independence Corp. In addition, American Independence Corp. evaluates other asset-backed securities for other-than-temporary impairment by examining similar characteristics referenced above for mortgage-backed securities. American Independence Corp. evaluates U.S. Treasury securities and obligations of U.S. Government corporations, U.S. Government agencies, and obligations of states and political subdivisions for other-than-temporary impairment by examining the terms and collateral of the security.

Prior to April 1, 2009, American Independence Corp. assessed its ability and intent to hold a fixed maturity for a period of time sufficient to allow for a recovery in fair value. If American Independence Corp. could not assert this condition, an other-than-temporary impairment loss was recognized in the Consolidated Statements of Operations.

Equity securities may experience other-than-temporary impairment in the future based on the prospects for full recovery in value in a reasonable period of time and American Independence Corp.'s ability and intent to hold the security to recovery. If a decline in fair value is judged by management to be other-than-temporary or management does not have the intent and ability to hold a security, a loss is recognized by a charge to total other-than-temporary impairment losses in the Consolidated Statement of Operations for the difference between the carrying value and the fair value of the securities. For the purpose of other-than-temporary impairment evaluations, preferred stocks with maturities are treated in a manner similar to debt securities. Declines in the creditworthiness of the issuer of debt securities with both debt and equity-like features requires the use of the equity model in analyzing the security for other-than-temporary impairment.

Subsequent increases and decreases, if not an other-than-temporary impairment, in the fair value of available-for-sale securities that were previously impaired, are included in other comprehensive income in the Consolidated Balance Sheet.

(J) Fixed Assets

Fixed assets are stated at cost net of accumulated depreciation. Improvements are capitalized, while repair and maintenance costs are charged to operations as incurred. Depreciation of property and equipment has been provided on the straight-line method over the estimated useful lives of the respective assets (3 years for computer equipment and 7 years for furniture and fixtures). Amortization of leasehold improvements has been provided on the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

(K) Premium, MGU Fee, and Agency Income Revenue Recognition

Direct and assumed premiums from short-duration contracts are recognized as revenue over the period of the contracts in proportion to the amount of insurance protection provided. American Independence Corp. records MGU fee income as policy premium payments are earned. AMIC's MGUs are compensated in two ways. They earn fee income based on the volume of business produced, and collect profit-sharing commissions if such business exceeds certain profitability benchmarks. Profit-sharing commissions are accounted for beginning in the period in which American Independence Corp. believes they are reasonably estimable, which is typically at the point that claims have developed to a level where Claim Development Patterns can be applied to generate reasonably reliable estimates of ultimate claim levels. Profit-sharing commissions are a function of an MGU attaining certain profitability thresholds and could greatly vary from quarter to quarter. Agency income consists of commissions, fees and lead revenue earned by its Agencies.

MGU and agency income consisted of the following:

	2010	Year Ended December 31, 2009	2008
	(In thousands)		
Agency Income	\$ 8,377	\$ 8,733	\$ 5,714
MGU fee income - administration	4,129	5,586	7,822
MGU fee income - profit commissions	919	1,021	1,036
	\$ 13,425	\$ 15,340	\$ 14,572

(L) Insurance Reserves

American Independence Corp. maintains loss reserves to cover its estimated liability for unpaid losses and loss adjustment expenses, where material, including legal and other fees and a portion of American Independence Corp.'s general expenses, for reported and unreported claims incurred as of the end of each accounting period. These loss reserves are based on actuarial assumptions and are maintained at levels that are in accordance with U.S. generally accepted accounting principles. Many factors could affect these reserves, including economic and social conditions, frequency and severity of claims, medical trend resulting from the influences of underlying cost inflation, changes in utilization and demand for medical services, and changes in doctrines of legal liability and damage awards in litigation. Therefore, American Independence Corp.'s reserves are necessarily based on estimates, assumptions and analysis of historical experience. American Independence Corp.'s results depend upon the variation between actual claims experience and the assumptions used in determining reserves and pricing products. Reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. American Independence Corp. cannot determine with precision the ultimate amounts that will be paid for actual claims or the timing of those payments. American Independence Corp.'s estimate of loss represents management's best estimate of American

Independence Corp.'s liability at the balance sheet date.

All of American Independence Corp.'s contracts are short-duration and are accounted for based on actuarial estimates of the amount of loss inherent in that period's claims, including losses incurred for claims that have not been reported ("IBNR"). Short-duration contract loss estimates rely on actuarial observations of ultimate loss experience for similar historical events.

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Medical Stop-Loss

Liabilities for insurance reserves on medical stop-loss coverages are computed using completion factors and expected Net Loss Ratios derived from actual historical premium and claim data. Reserves for medical stop-loss insurance are more volatile in nature than those for fully insured medical insurance. This is primarily due to the excess nature of medical stop-loss, with very high deductibles applying to specific claims on any individual claimant and in the aggregate for a given group. The level of these deductibles makes it more difficult to predict the amount and payment pattern of such claims. Furthermore, these excess claims are highly sensitive to changes in factors such as medical trend, provider contracts and medical treatment protocols, adding to the difficulty in predicting claim values and estimating reserves. Also, because medical stop-loss is in excess of an underlying benefit plan, there is an additional layer of claim reporting and processing that can affect claim payment patterns. Finally, changes in the distribution of business by effective month can affect reserve estimates due to the timing of claim occurrences and the time required to accumulate claims against the stop-loss deductible.

The two “primary” or “key” assumptions underlying the calculation of loss reserves for medical stop-loss business are (i) projected net loss ratio, and (ii) claim development patterns. The projected net loss ratio is set at expected levels consistent with the underlying assumptions (“Projected Net Loss Ratio”). Claim development patterns are set quarterly as reserve estimates are developed and are based on recent claim development history (“Claim Development Patterns”). American Independence Corp. uses the Projected Net Loss Ratio to establish reserves until developing losses provide a better indication of ultimate results and it is feasible to set reserves based on Claim Development Patterns. American Independence Corp. has concluded that a reasonably likely change in the Projected Net Loss Ratio assumption could have a material effect on American Independence Corp.’s financial condition, results of operations, or liquidity (“Material Effect”) but a reasonably likely change in the Claim Development Pattern would not have a Material Effect.

Projected Net Loss Ratio

Generally, during the first twelve months of an underwriting year, reserves for medical stop-loss are first set at the Projected Net Loss Ratio, which is set using assumptions developed using completed prior experience trended forward. The Projected Net Loss Ratio is American Independence Corp.’s best estimate of future performance until such time as developing losses provide a better indication of ultimate results.

Major factors that affect the Projected Net Loss Ratio assumption in reserving for medical stop-loss relate to: (i) frequency and severity of claims; (ii) changes in medical trend resulting from the influences of underlying cost inflation, changes in utilization and demand for medical services, the impact of new medical technology and changes in medical treatment protocols; and (iii) the adherence by the MGUs that produce and administer this business to American Independence Corp.’s underwriting guidelines.

Claim Development Patterns

Subsequent to the first twelve months of an underwriting year, American Independence Corp.’s developing losses provide a better indication of ultimate losses. At this point, claims have developed to a level where Claim Development Patterns can be applied to generate reasonably reliable estimates of ultimate claim levels. Development factors based on historical patterns are applied to paid and reported claims to estimate fully developed claims. Claim Development Patterns are reviewed quarterly as reserve estimates are developed and are based on recent claim development history. American Independence Corp. must determine whether changes in development represent true indications of emerging experience or are simply due to random claim fluctuations.

American Independence Corp. also establishes its best estimates of claim development factors to be applied to more developed treaty year experience. While these factors are based on historical Claim Development Patterns, actual claim development may vary from these estimates.

Predicting ultimate claims and estimating reserves in Medical Stop-Loss is more complex than first dollar medical and disability business due to the “excess of loss” nature of these products with very high deductibles applying to specific claims on any individual claimant and in the aggregate for a given group. The level of these deductibles makes it more difficult to predict the amount and payment pattern of such claims. Fluctuations in results for specific coverage are primarily due to the severity and frequency of individual claims, whereas fluctuations in aggregate coverage are largely attributable to frequency of underlying claims rather than severity.

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Due to the short-term nature of Medical Stop-Loss, redundancies or deficiencies will typically emerge during the course of the following year rather than over a number of years. For Employer Stop-Loss, as noted above, American Independence Corp. typically maintains its reserves based on underlying assumptions until it determines that an adjustment is appropriate based on emerging experience from all of AMIC's MGUs for prior underwriting years. Reserves for HMO Reinsurance are adjusted on a policy by policy basis. Because of the small number of HMO Reinsurance policies it writes or reinsures, American Independence Corp. is able to evaluate each policy individually for potential liability by reviewing open claims with each HMO and applying completion factors using historical data.

Fully Insured Health

Liabilities for insurance reserves for fully insured medical business are established to provide for the liability for incurred but not paid claims. Reserves are calculated using standard actuarial methods and practices. Historical paid claim patterns are reviewed and estimated development factors are applied to immature incurred months to calculate these reserves. The primary assumption in the determination of fully insured reserves is that historical claim development patterns are representative of future claim development patterns. Factors which may affect this assumption include changes in claim payment processing times and procedures, changes in time delay in submission of claims and the incidence of unusually large claims. Liabilities for fully insured medical reserves and disability coverages are computed using completion factors and expected Net Loss Ratios derived from actual historical premium and claim data. The reserving analysis includes a review of claim processing statistical measures and large claim early notifications; the potential impacts of any changes in these factors are not material. The delay in submission of claims tends to be stable over time and not subject to significant volatility.

While these calculations are based on standard methodologies, they are estimates based on historical patterns. To the extent that actual claim payment patterns differ from historical patterns, such estimated reserves may be redundant or inadequate. The effects of such deviations are evaluated by considering claim backlog statistics and reviewing the reasonableness of projected claim ratios. Other factors which may affect the accuracy of reserve estimates include the proportion of large claims which may take longer to adjudicate, changes in billing patterns by providers and changes in claim management practices such as hospital bill audits.

Liabilities for insurance reserves on short-term medical and disability coverages are computed using claim development patterns and projected loss ratios derived from actual historical premium and claim data.

AMIC Management believes that American Independence Corp.'s methods of estimating the liabilities for insurance reserves provided appropriate levels of reserves at December 31, 2010 and December 31, 2009. Changes in American Independence Corp.'s reserve estimates are recorded through a charge or credit to its earnings in the period in which they arise.

(M) Reinsurance

Amounts recoverable or paid for under reinsurance contracts are included in total assets or total liabilities as due from reinsurers or due to reinsurers. In 2010, Independence American derived a majority of its business from pro rata quota share reinsurance treaties with Standard Security Life and Madison National Life, which are wholly owned subsidiaries of IHC.

(N) Income Taxes

American Independence Corp. accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets where it is more likely than not that the deferred tax asset will not be realized (see Note 15 of Notes to Consolidated Financial Statements).

(O) Income Per Common Share

Basic income per common share is computed using the weighted average number of common stock shares outstanding during the period. Diluted income per common share is computed using the weighted average number of common stock shares and common stock equivalent shares outstanding during the period. Common stock equivalents consist of stock options and restricted stock (using the "treasury stock" method). Common stock equivalent shares are excluded from the computation if the effect is anti-dilutive. As a result of the anti-dilutive effect, common stock equivalent shares have been excluded from the computation of diluted earnings per share for periods presented with a net loss. For the years ended December 31, 2010, 2009 and 2008 such shares were deemed anti-dilutive. Net income does not change as a result of the assumed dilution.

(P) Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In January 2010, the FASB issued standards requiring new disclosures regarding (i) transfers in and out of Level 1 and Level 2 fair value measurements and (ii) activity in Level 3 fair value measurements. This guidance also clarifies existing disclosures regarding (i) the level of asset and liability disaggregation and (ii) fair value measurement inputs and valuation techniques. The guidance is effective for interim and annual periods beginning after December 15, 2009, except for the requirement to provide Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010; early adoption is permitted. The adoption of this guidance, effective January 1, 2010, did not have a material effect on American Independence Corp.'s consolidated financial statements.

In June 2009, the FASB issued standards which among other things, amends former guidance on the consolidation of variable interest entities. The standards (i) require an entity to perform an analysis to determine whether an entity's variable interest or interests give it a controlling financial interest in a variable interest entity; (ii) require ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity and eliminate the quantitative approach previously required for determining the primary beneficiary of a variable interest entity; (iii) amend previous guidance for determining whether an entity is a variable interest entity; and (iv) require enhanced disclosure that will provide users of financial statements with more transparent information about an entity's involvement in a variable

interest entity. In December 2009, these standards were added to the Codification. The adoption of this guidance, effective January 1, 2010, did not have a material effect on American Independence Corp.'s consolidated financial statements.

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In June 2009, the FASB issued standards to revise previous authoritative guidance related to accounting for transfers of financial assets, and will require more disclosures about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. In December 2009, these standards were added to the Codification. Among other things, the guidance eliminates the concept of a “qualifying special-purpose entity”, changes the requirements for derecognizing financial assets and enhances information reported to users of financial statements by providing greater transparency about transfers of financial assets and an entity’s continuing involvement in transferred financial assets. The guidance is effective for the first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter with earlier application prohibited. The recognition and measurement provisions shall be applied to transfers that occur on or after the effective date. The adoption of this guidance, effective January 1, 2010, did not have a material effect on American Independence Corp.’s consolidated financial statements.

In April 2009, the FASB provided guidance on debt securities classified as available-for-sale and held-to-maturity that are subject to other-than-temporary impairment guidance. These provisions modified the accounting guidance for determining fair value of financial instruments under distressed market conditions, revised the recognition and measurement requirements for other-than-temporary impairment losses on debt securities and expanded the related disclosures about other-than-temporary impairments for both debt and equity securities. This guidance was effective for interim and annual reporting periods ending after June 15, 2009 to be applied to existing and new investments held by an entity as of the beginning of the interim period in which it was adopted. For debt securities held at the beginning of the interim period for which an other-than-temporary impairment was previously recognized, if an entity did not intend to sell and it was not more likely than not that the entity would be required to sell the security before recovery of its amortized cost basis, the entity recognized the cumulative effect of initially applying this guidance as an adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income, net of tax. The amortized cost basis of the security was to be adjusted by the cumulative-effect adjustment before taxes. As of March 31, 2009, American Independence Corp. had previously recognized \$436,000 and \$199,000 of other-than-temporary impairments on available-for-sale fixed maturities and certain preferred stocks evaluated as debt securities, respectively, in the Consolidated Statement of Operations. American Independence Corp. has determined that (a) the portion of the previously recorded losses on debt securities and preferred stocks evaluated as debt securities representing a credit loss is \$535,000, and (b) the amount of a cumulative-effect adjustment to the opening balance of retained earnings and corresponding adjustment to accumulated other comprehensive income representing the amount of previously recorded losses on debt securities and preferred stocks evaluated as debt securities related to all other factors is \$99,000.

Recently Issued Accounting Standards Not Yet Adopted

In December 2010, the FASB issued guidance that amends existing goodwill impairment test guidance 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 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this guidance is not expected to have a material effect on American Independence Corp.’s consolidated financial statements.

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 are 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 is not expected to have a material effect on American Independence Corp.’s consolidated financial statements.

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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. American Independence Corp. is currently evaluating the potential impact the amendments in this update will have on its consolidated financial statements.

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In April 2010, the FASB issued guidance on the accounting effect, if any, that arises from the different signing dates between the Health Care and Education Reconciliation Act of 2010, which is a reconciliation bill that amends the Patient Protection and Affordable Care Act. This guidance is applicable for registrants with a period end that falls between the signing dates for which the timing difference could have an accounting impact. The adoption of this guidance is not expected to have a material effect on American Independence Corp.'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 will be effective for fiscal years beginning after December 15, 2010. The adoption of this guidance is not expected to have a material effect on American Independence Corp.'s consolidated financial statements.

3. Goodwill

American Independence Corp. recorded goodwill of \$23,561,000 for the years ended December 31, 2010 and 2009.

American Independence Corp. performed its annual test at December 31, 2010 and determined that goodwill was not impaired.

At December 31, 2010, American Independence Corp.'s market capitalization was less than its book value indicating a potential impairment of goodwill. As a result, American Independence Corp. assessed the factors contributing to the performance of AMIC stock in 2010, and concluded that the market capitalization does not represent its fair value. American Independence Corp. noted several factors that have led to a difference between the market capitalization and the fair value of American Independence Corp., including (i) American Independence Corp.'s stock is thinly traded and a sale of even a small number of shares can have a large percentage impact on the price of the stock, (ii) IHC and insiders own over 52% of the outstanding shares, which has had a significant adverse impact on the number of shares available for sale and therefore the trading potential of AMIC stock, and (iii) lack of analyst coverage of American Independence Corp. American Independence Corp. will continue to monitor AMIC's book value against market capitalization to determine whether an interim test of goodwill is warranted. If American Independence Corp. experiences a sustained decline in its results of operations and cash flows, or other indicators of impairment exist, American Independence Corp. may incur a material non-cash charge to earnings relating to impairment of its goodwill, which could have a material adverse effect on its results.

4. Intangible Assets

Intangible assets at December 31, 2010 and 2009 consist of the following (in thousands):

	December 31, 2010			December 31, 2009		
	Definitive Lives (a)	Indefinite Lives	Total	Definitive Lives	Indefinite Lives	Total
Gross Carrying Value						
Balance beginning of period	\$ 9,373	\$ 100	\$ 9,473	\$ 9,373	\$ 100	\$ 9,473
Additions	-	-	-	-	-	-
Balance end of period	9,373	100	9,473	9,373	100	9,473
Accumulated Amortization						
Balance beginning of period	(7,000)	-	(7,000)	(6,217)	-	(6,217)
Amortization expense	(784)	-	(784)	(783)	-	(783)
Balance end of period	(7,784)	-	(7,784)	(7,000)	-	(7,000)
Net intangible assets	\$ 1,589	\$ 100	\$ 1,689	\$ 2,373	\$ 100	\$ 2,473
Weighted average remaining life in years						
			1.45			1.93

Expected amortization expense for the next five years is as follows (in thousands):

	Year Ending December 31,
	2011 \$ 783
	2012 124
	2013 120
	2014 120
	2015 and thereafter 442
	\$ 1,589

5. Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell are utilized to invest excess funds on a short-term basis. At December 31, 2010, American Independence Corp. had \$6,716,000 in resale agreements outstanding, all of which settled on January 3, 2011 and were subsequently reinvested. American Independence Corp. maintains control of securities purchased under resale agreements, values the collateral on a daily basis and obtains additional collateral, if necessary, to protect American Independence Corp. in the event of default by the counterparties.

6. Investments

The cost (amortized cost with respect to certain fixed maturities), gross unrealized gains, gross unrealized losses and fair value of long-term investment securities are as follows:

	DECEMBER 31, 2010			
	AMORTIZED	GROSS	GROSS	FAIR
	COST	UNREALIZED	UNREALIZED	VALUE
		GAINS	LOSSES	
	(In thousands)			
FIXED MATURITIES				
AVAILABLE-FOR-SALE:				
Corporate securities	\$15,850	\$167	\$ (248)	\$15,769
Collateralized mortgage obligations (CMO) – residential	2,021	279	(107)	2,193
CMO – commercial	579	-	(256)	323
States, municipalities and political subdivisions	17,239	152	(327)	17,064
U.S. Government	10,137	159	-	10,296
Government sponsored enterprise (GSE)	7,678	145	(5)	7,818
Agency mortgage backed pass through securities (MBS)	256	17	-	273
Total fixed maturities	\$53,760	\$919	\$ (943)	\$53,736

EQUITY SECURITIES				
AVAILABLE-FOR-SALE				
Common stock	\$604	\$26	\$ (20)	\$610
Preferred stock with maturities	273	54	-	327
Preferred stock without maturities	2,993	77	(10)	3,060
Total equity securities	\$3,870	\$157	\$ (30)	\$3,997

	DECEMBER 31, 2009			
	AMORTIZED	GROSS	GROSS	FAIR
	COST	UNREALIZED	UNREALIZED	VALUE
		GAINS	LOSSES	
	(In thousands)			
FIXED MATURITIES				
AVAILABLE-FOR-SALE:				
Corporate securities	\$18,448	\$186	\$ (323)	\$18,311
CMO – residential	5,053	181	(446)	4,788
CMO – commercial	578	-	(268)	310
States, municipalities and political subdivisions	9,892	43	(431)	9,504
U.S. Government	4,874	54	-	4,928
Government sponsored enterprise (GSE)	7,063	51	(61)	7,053
Agency mortgage backed pass through securities (MBS)	4,692	55	-	4,747
Total fixed maturities	\$50,600	\$570	\$ (1,529)	\$49,641

EQUITY SECURITIES				
AVAILABLE-FOR-SALE				
Common stock	\$948	\$37	\$ (17)	\$968

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Preferred stock with maturities	820	13	(10)	823
Preferred stock without maturities	3,511	117	(7)	3,621
Total equity securities	\$5,279	\$167	\$ (34)	\$5,412

Government-sponsored enterprise mortgage-backed securities consist of Federal Home Loan Mortgage Corporation and Federal National Mortgage Association securities.

The unrealized gains (losses) on certain preferred stocks with maturities at December 31, 2010 and 2009 includes \$99,000 related to the non-credit related component of other-than-temporary impairment losses recorded in accumulated other comprehensive income in connection with new accounting standards adopted on April 1, 2009.

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The amortized cost and fair value of fixed maturities at December 31, 2010, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. The average life of mortgage backed securities is affected by prepayments on the underlying loans and, therefore, is materially shorter than the original stated maturity.

	AMORTIZED COST	FAIR VALUE (In thousands)	% OF TOTAL FAIR VALUE	
Due in one year or less	\$ -	\$ -	0	%
Due after one year through five years	22,991	23,249	43	%
Due after five years through ten years	13,408	13,310	25	%
Due after ten years	8,139	7,929	15	%
	44,538	44,488	83	%
CMO and MBS				
15 years	4,183	4,117	8	%
20 years	-	-	0	%
30 years	5,039	5,131	9	%
	\$ 53,760	\$ 53,736	100	%

The following tables summarize, for all securities in an unrealized loss position at December 31, 2010 and December 31, 2009, the aggregate fair value and gross unrealized loss by length of time, those securities that have continuously been in an unrealized loss position (in thousands):

	Less than 12 Months		December 31, 2010 12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
FIXED MATURITIES:						
Corporate securities	\$6,970	\$216	\$359	\$32	\$7,329	\$248
CMO – residential	88	16	642	91	730	107
CMO – commercial	-	-	323	256	323	256
States, municipalities and political subdivisions	6,351	189	2,413	138	8,764	327
GSE	544	5	-	-	544	5
Total fixed maturities	\$13,953	\$426	\$3,737	\$517	\$17,690	\$943
EQUITY SECURITIES:						
Common stock	\$141	\$20	\$-	\$-	\$141	\$20
Preferred stock without maturities	1,283	10	-	-	1,283	10
Total equity securities	\$1,424	\$30	\$-	\$-	\$1,424	\$30

December 31, 2009

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	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
FIXED MATURITIES:						
Corporate securities	\$4,714	\$69	\$4,287	\$254	\$9,001	\$323
CMO – residential	617	11	1,769	435	2,386	446
CMO – commercial	-	-	310	268	310	268
States, municipalities and political subdivisions	6,278	314	1,161	117	7,439	431
GSE	5,577	61	-	-	5,577	61
Total fixed maturities	\$17,186	\$455	\$7,527	\$1,074	\$24,713	\$1,529
EQUITY SECURITIES:						
Common stock	\$465	\$17	\$-	\$-	\$465	\$17
Preferred stock with maturities	-	-	240	10	240	10
Preferred stock without maturities	-	-	1,044	7	1,044	7
Total equity securities	\$465	\$17	\$1,284	\$17	\$1,749	\$34

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At December 31, 2010, a total of 20 fixed maturities and 9 equity securities were in a continuous unrealized loss position for less than 12 months. Also, at December 31, 2010, a total of 7 fixed maturities were in a continuous unrealized loss position for 12 months or longer. At December 31, 2009 a total of 25 fixed maturities and 12 equity securities were in a continuous unrealized loss position for less than 12 months. Also, at December 31, 2009, a total of 24 fixed maturities and 3 equity securities were in a continuous unrealized loss position for 12 months or longer. Except for certain fixed maturities which are determined to be other-than-temporarily impaired, there are no securities past due or securities for which American Independence Corp. currently believes it is not probable that it will collect the current amortized cost basis of the security.

Substantially all of the unrealized losses on fixed maturities at December 31, 2010 and December 31, 2009 were attributable to changes in market interest rates and general disruptions in the credit market subsequent to purchase. The unrealized losses on corporate securities and state and political subdivisions are due to wider spreads. Spreads have widened in recent years as investors shifted funds to US Treasuries in response to the current market turmoil. Because American Independence Corp. does not intend to sell, nor is it more likely than not that American Independence Corp. will have to sell, such investments before recovery of their amortized cost bases, American Independence Corp. does not consider those investments to be other-than-temporarily impaired at December 31, 2010.

At December 31, 2010, American Independence Corp. had \$1,524,000 invested in whole loan CMOs backed by Alt-A mortgages. Of this amount, 59.3% were in CMOs that originated in 2005 or earlier and 40.7% were in CMOs that originated in 2006 or later. The unrealized losses on all other CMO's relate to prime rate CMO's and are primarily attributable to general disruptions in the credit market subsequent to purchase. American Independence Corp.'s mortgage security portfolio has no direct exposure to sub-prime mortgages.

Major categories of net investment income for years 2010, 2009 and 2008 are summarized as follows:

	2010	Year Ended December 31, 2009 (In thousands)	2008
Fixed maturities	\$ 2,052	\$ 2,346	\$ 2,707
Equity securities	262	219	238
Short-term investments	3	10	154
Other	201	349	484
Net investment income	\$ 2,518	\$ 2,924	\$ 3,583

Other-Than-Temporary Impairment Evaluations

Based on AMIC management's review of the portfolio, which considered the various factors described in Note 2 (I) (vi), American Independence Corp. recorded the following losses for other-than-temporary impairments in the Consolidated Statements of Operations for years 2010, 2009 and 2008 (in thousands):

	2010	Year Ended December 31, 2009	2008
Other-than-temporary impairments:			
Fixed maturities	179	-	435
Preferred Stocks	-	-	571
	\$ 179	\$ -	\$ 1,006

For the year ended December 31, 2010, other-than-temporary impairments of \$179,000 represent credit losses on fixed maturities as a result of the expected cash flows of certain securities being less than the securities' amortized cost. No losses for other-than-temporary impairments were recognized in other comprehensive income since the adoption of the new accounting standards in 2009.

As of March 31, 2009, American Independence Corp. had previously recognized a total of \$436,000 and \$199,000 of other-than-temporary impairments on available-for-sale fixed maturities and certain preferred stocks evaluated as debt securities, respectively, in the Consolidated Statement of Operations. As a result of new accounting standards adopted on April 1, 2009, American Independence Corp. determined that (a) the portion of the previously recorded losses on debt securities and preferred stocks evaluated as debt securities representing a credit loss was \$535,000, and (b) the amount of a cumulative-effect adjustment to the opening balance of retained earnings and corresponding adjustment to accumulated other comprehensive income representing the amount of previously recorded losses on debt securities and preferred stocks evaluated as debt securities related to all other factors was \$99,000. Of the \$535,000 of credit losses identified above, \$99,000 relates to credit losses for which a portion of an other-than-temporary impairment was recognized in other comprehensive income.

Cumulative credit losses for other-than-temporary impairments recorded on securities for which a portion of an other-than-temporary impairment was recognized in other comprehensive income were as follows (in thousands):

	2010	2009
Balance at beginning of year	\$ 99	\$ -
Adoption of new accounting standard	-	99
Balance at end of year	\$ 99	\$ 99

Further deterioration in credit quality of the companies backing the securities, further deterioration in the condition of the financial services industry, a continuation of the current imbalance in liquidity that exist in the marketplace, a continuation or worsening of the current economic recession, or additional declines in real estate values may further affect the fair value of these securities and increase the potential that certain unrealized losses be designated as other-than-temporary in future periods and American Independence Corp. may incur additional write-downs.

7. Net Realized Investment Gains (Losses)

Net realized investment gains (losses) for years 2010, 2009 and 2008 are as follows (in thousands):

	Year Ended December 31,		
	2010	2009	2008
Net realized investment gains (losses):			
Fixed maturities	\$ 919	\$ 244	\$ (46)
Common stock	127	11	(10)
Preferred stock	(24)	20	12
Short-term investments	-	-	2
	1,022	275	(42)
Trading account write-off	(1,266)	-	(2,006)
Trading and other gains (losses)	-	-	152
Net realized investment gains (losses)	\$ (244)	\$ 275	\$ (1,896)

For the twelve months ended December 31, 2010, American Independence Corp. recorded realized gross gains of \$1,312,000 and gross losses of \$290,000 on sales of available-for-sale securities. For the twelve months ended December 31, 2009, American Independence Corp. recorded realized gross gains of \$581,000 and gross losses of \$306,000 on sales of available-for-sale securities. For the twelve months ended December 31, 2008, American Independence Corp. recorded realized gross gains of \$50,000 and gross losses of \$83,000 on sales of available-for-sale securities. As of December 31, 2008, American Independence Corp. no longer has any trading accounts.

In the fourth quarter of 2008, American Independence Corp. became aware of certain activities engaged in by the non-affiliate broker-dealer that managed a trading account of American Independence Corp. Net realized investment gains reported in the accompanying Consolidated Statement of Operations for 2008 include income related to the trading account of \$142,000. The carrying amount of American Independence Corp.'s investment at the time of loss was \$2,566,000. The broker-dealer is now in bankruptcy. American Independence Corp. filed a claim to recover the \$500,000 maximum amount available from the Securities Investor Protection Corporation ("SIPC"). Accordingly, American Independence Corp. recorded a pre-tax loss of \$2,006,000, net of expected recoveries, in net realized investment losses in the fourth quarter of 2008 in the Consolidated Statement of Operations. Based on discussions with the trustee in bankruptcy in the fourth quarter of 2010 pertaining to the resolution of these claims, American Independence Corp. recorded an additional \$1,266,000 of pre-tax losses consisting of: (i) the reversal of \$500,000 of anticipated SIPC recoveries initially recorded; and (ii) \$766,000 of withdrawals by AMIC deemed subject to return. A settlement agreement was entered into with the trustee in the first quarter of 2011 and payment by American Independence Corp. is expected to be made on or before July 15, 2011.

8. Fair Value Measurements

For all financial and non-financial instruments accounted for at fair value on a recurring basis, American Independence Corp. utilizes valuation techniques based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect its market expectations. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 – Instruments where significant value drivers are unobservable.

The following section describes the valuation methodologies American Independence Corp. uses to measure different financial instruments at fair value.

Investments in fixed maturities and equity securities

Available-for-sale securities included in Level 1 are equity securities with quoted market prices. Level 2 is primarily comprised of its portfolio of corporate fixed income securities, government agency mortgage-backed securities, government sponsored enterprises, certain CMO securities, municipals and certain preferred stocks that were priced with observable market inputs. Level 3 securities consist of certain CMO securities, primarily Alt-A mortgages. For these securities, American Independence Corp. uses industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on management's assumptions and available market information. Further, American Independence Corp. retains independent pricing vendors to assist in valuing certain instruments.

The following table presents its financial assets measured at fair value on a recurring basis at December 31, 2010 and 2009, respectively (in thousands):

	December 31, 2010			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	\$-	\$15,769	\$-	\$15,769
CMO - residential	-	634	1,559	2,193
CMO – commercial	-	-	323	323
States, municipalities and political subdivisions	-	17,064	-	17,064
U.S. Government	-	10,296	-	10,296
Government sponsored enterprise (GSE)	-	7,818	-	7,818
Agency mortgage-backed pass through securities (MBS) - residential	-	273	-	273
Total fixed maturities	-	51,854	1,882	53,736
Equity securities available-for-sale:				
Common stock	610	-	-	610
Preferred stock with maturities	327	-	-	327
Preferred stock without maturities	3,060	-	-	3,060
Total equity securities	3,997	-	-	3,997
Total financial assets	\$3,997	\$51,854	\$1,882	\$57,733

December 31, 2009

	Level 1	Level 2	Level 3	Total
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FINANCIAL ASSETS:

Fixed maturities available-for-sale:

Corporate securities	\$-	\$18,311	\$-	\$18,311
CMO – residential	-	3,002	1,786	4,788
CMO – commercial	-	-	310	310
States, municipalities and political subdivisions	-	9,504	-	9,504
U.S. Government	-	4,928	-	4,928
Government sponsored enterprise (GSE)	-	7,053	-	7,053
Agency mortgage-backed pass through securities (MBS) – residential	-	4,747	-	4,747
Total fixed maturities	-	47,545	2,096	49,641

Equity securities available-for-sale:

Common stock	968	-	-	968
Preferred stock with maturities	523	300	-	823
Preferred stock without maturities	3,621	-	-	3,621
Total equity securities	5,112	300	-	5,412

Total financial assets	\$5,112	\$47,845	\$2,096	\$55,053
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It is American Independence Corp.'s policy to recognize transfers of assets and liabilities between levels of the fair value hierarchy at the end of a reporting period. For the year ending December 31, 2010, there were no transfers of assets and liabilities between Level 1 and Level 2 of the fair value hierarchy. American Independence Corp. does not transfer out of Level 3 and into Level 2 until such time as observable inputs become available and reliable or the range of available independent prices narrow. One security was sold out of the Level 3 category in 2010. For the year ended December 31, 2010, American Independence Corp. included realized investment losses of \$8,000 in earnings. American Independence Corp. included \$179,000 of other-than-temporary impairments related to securities categorized as Level 3 securities. The changes in the carrying value of Level 3 assets and liabilities for the years ended December 31, 2010 and 2009 are summarized as follows (in thousands):

	Residential	CMOs Commercial	Total
Balance, December 31, 2008	\$ 626	\$ 420	\$ 1,046
Transfers into Level 3	986	-	986
Repayments of fixed maturities	(198)	-	(198)
Net unrealized gain (loss) included in accumulated other comprehensive loss	372	(110)	262
Balance, December 31, 2009	\$ 1,786	\$ 310	\$ 2,096
Transfers into Level 3	-	-	-
Repayments of fixed maturities	(257)	-	(257)
Realized losses included in earnings	(8)	-	(8)
Security sold out of level 3	(232)	-	(232)

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Other-than-temporary Impairment losses	(179)		(179)
Net unrealized gain (loss) included in accumulated other comprehensive loss	449	13	462
Balance, December 31, 2010	\$ 1,559	\$ 323	\$ 1,882

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9. Investment in Majestic

At December 31, 2010 and December 31, 2009, American Independence Corp. had an equity investment in Majestic with a carrying value of \$788,000 and \$833,000, respectively. For years 2010, 2009 and 2008, American Independence Corp. recorded \$45,000, \$29,000 and \$56,000, respectively, for its share of loss from its investment in other income in the Consolidated Statements of Operations.

10. Fixed Assets

Fixed assets, which are included in other assets, consist of the following (in thousands):

	As of December 31,	
	2010	2009
Furniture and fixtures	\$ 682	\$ 662
Leasehold improvements	126	126
Equipment	1,011	991
Total	1,819	1,779
Less: allowance for depreciation	(1,707)	(1,630)
Fixed assets, net	\$ 112	\$ 149

11. Discontinued Operations

Prior to becoming an insurance holding company as a result of the acquisition of Independence American Holdings Corp. ("IAHC") on November 14, 2002, American Independence Corp. was a holding company principally engaged in providing internet services through its discontinued operations. The operating results of discontinued operations, when applicable, have been segregated from continuing operations and are reported as discontinued operations on the Consolidated Statements of Operations. The estimated loss on disposition reserve for the discontinued operations of Intelligent Communications, Inc., ("Intellicom") is reflected in net liabilities associated with discontinued operations in the accompanying Consolidated Balance Sheets. All liabilities have been settled at December 31, 2010.

12. Commitments and Contingencies

Fixed maturities with a carrying value of \$4,574,000 are on deposit with various state insurance departments at December 31, 2010.

American Independence Corp. has operating leases for office space and certain other office equipment. These operating leases provide for minimum rents and generally include options to renew for additional periods.

Future minimum lease payments under non-cancelable operating leases as of December 31, 2010, are as follows (in thousands):

	Year Ending December 31,	Net Operating Leases
2011		\$ 129
2012		105
2013		100
2014		65
2015		60
2016 and thereafter		31
Total		\$ 490

American Independence Corp.'s net rent expense for years 2010, 2009, and 2008 were \$355,000, \$482,000, and \$412,000, respectively.

American Independence Corp. potentially has additional obligations in regard to its agreement with EDH as further described in Note 20 of Notes to Consolidated Financial Statements.

Legal Proceedings

American Independence Corp. is involved in legal proceedings and claims that arise in the ordinary course of its businesses. American Independence Corp. has established reserves that it believes are sufficient given information presently available relating to its outstanding legal proceedings and claims. American Independence Corp. does not anticipate that the result of any pending legal proceeding or claim will have a material adverse effect on its financial condition or cash flows, although there could be such an effect on its results of operations for any particular period.

13. Share-Based Compensation

2009 Stock Incentive Plan ("2009 Plan")

Effective July 1, 2009, American Independence Corp. implemented the 2009 Plan, which American Independence Corp.'s stockholders approved on June 19, 2009. The 2009 Plan provided for the grants of non-statutory and incentive stock options, stock appreciation rights, restricted stock awards, performance shares, and other awards to officers, employee and other individuals. Under the terms of the 2009 Plan, stock options have a maximum term of ten years from the date of grant, and have various vesting criteria depending on the grant with most grants vesting 25% on the first year anniversary date of the grant and ratably over the next 36 months. The 1998 Plan, which expired by its terms on October 7, 2008, had reserved for issuance a total of 7,154,198 common stock shares. At December 31, 2010, stock options for 359,234 common stock shares were outstanding, stock options for 344,525 common stock shares were vested, and 6,537,222 common stock shares that had not been issued remained available for future stock options grants and other awards. Awards made under the 1998 Plan prior to its expiration are still in effect.

Total share-based compensation expense was \$74,000, \$99,000 and \$143,000 for the twelve months ended December 31, 2010, 2009 and 2008, respectively. Related tax benefits of \$26,000, \$35,000 and \$50,000 were recognized for the twelve months ended December 31, 2010, 2009 and 2008, respectively.

Stock Options

American Independence Corp.'s stock option activity for the year ended December 31, 2010 was as follows:

No. of Shares	Weighted Average
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	Under Option	Exercise Price
Balance, December 31, 2009	355,900	\$ 10.00
Granted	13,334	4.60
Exercised	(10,000)	4.50
Balance, December 31, 2010	359,234	\$ 9.95

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Compensation expense was \$56,000, \$74,000, and \$128,000 for the twelve months ended December 31, 2010, 2009, and 2008, respectively. As of December 31, 2010, there was approximately \$51,000 of total unrecognized compensation expense related to non-vested options which will be recognized over the remaining requisite service periods.

The following table summarizes information regarding outstanding and exercisable options as of December 31, 2010:

	Outstanding	Exercisable
Number of options	359,234	344,525
Weighted average exercise price per share	\$ 9.95	\$ 10.14
Aggregate intrinsic value of options	\$ 22,154	\$ 19,376
Weighted average contractual term remaining	3.33 years	3.09 years

The fair value of each stock option on the date of grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for years 2010 and 2009:

	Year Ended December 31,	
	2010	2009
Volatility	45.00 %	-
Risk-free interest rate	3.69 %	-
Dividend yield	-	-
Expected lives in years	5.0	-
Weighted average fair value	\$ 2.79	\$ -

No options were granted in 2009.

Restricted Stock

American Independence Corp. issued 12,000 restricted stock awards in the second quarter of 2008, with a weighted average grant-date fair value of \$6.92 per share. No restricted stock awards were issued in 2010 and 2009. Restricted stock expense was \$18,000, \$25,000 and \$15,000 for the twelve months ended December 31, 2010, 2009 and 2008, respectively.

The following table summarizes restricted stock activity for the year ended December 31, 2010:

	No. of Non-vested Shares	Weighted Average Exercise Price
Balance, December 31, 2009	6,333	\$ 6.92
Vested	(2,500)	6.92
Forfeited	(1,333)	6.92
Balance, December 31, 2010	2,500	\$ 6.92

As of December 31, 2010, there was approximately \$8,000 of total unrecognized compensation expense related to non-vested restricted stock which will be recognized over the remaining requisite service periods.

14. Related Party Transactions

Independence American is primarily a reinsurer, and currently derives most of its business from pro rata quota share reinsurance treaties with Standard Security Life and Madison National Life, which are wholly owned subsidiaries of IHC. These treaties were entered into in 2002 and terminate on December 31, 2014, unless terminated sooner by Independence American. Standard Security Life and Madison National Life must cede at least 15% of their medical stop-loss business to Independence American under these treaties. Additionally, Standard Security Life and Madison National Life have received regulatory approval to cede up to 30% to Independence American under most of IHC's medical stop-loss programs. For the twelve months ended December 31, 2010 and 2009, Standard Security Life and Madison National Life ceded an average of approximately 20% and 23%, respectively, of their medical stop-loss business to Independence American. Commencing in July 2004, Independence American began reinsuring 20% of Standard Security Life's DBL business. Standard Security Life and Madison National Life ceded approximately 9% of the majority of its fully insured health business to Independence American in 2010 and 2009.

Independence American assumes these premiums from Standard Security Life and Madison National Life, and records related insurance income, expenses, assets and liabilities. Independence American pays administrative fees and commissions to subsidiaries of IHC in connection with fully insured health business written by Independence American. Additionally, AMIC's MGUs market, underwrite and provide administrative services, and RSI provides medical management and claims adjudication, for a substantial portion of the medical stop-loss business written by the insurance subsidiaries of IHC. AMIC's MGUs and RSI record related income, assets and liabilities in connection with that business. Such related party information is disclosed on the Consolidated Balance Sheets and Consolidated Statements of Operations. American Independence Corp. also contracts for several types of insurance coverage (e.g. directors and officers and professional liability coverage) jointly with IHC. The cost of this coverage is split proportionally between American Independence Corp. and IHC according to the type of risk and American Independence Corp.'s portion is recorded in Selling, General and Administrative Expenses.

IHC provides American Independence Corp. with pro rata quota share reinsurance on business written by Independence American. In June 2008, Independence American began ceding 30% of its direct stop-loss business sold through Marlton to Madison National Life. Independence American incurs an administration expense on its retained share of major medical for individual and families business that is paid to IHC Health Solutions, a subsidiary of IHC.

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American Independence Corp. and its subsidiaries incurred expense of \$1,151,000 and \$1,083,000 for the twelve months ended December 31, 2010 and 2009, respectively, from service agreements with IHC and its subsidiaries. These payments reimburse IHC and its subsidiaries, at agreed upon rates including an overhead factor, for management services provided to American Independence Corp. and its subsidiaries, including accounting, legal, compliance, underwriting, and claims.

15. Income Taxes

American Independence Corp. and its subsidiaries file a consolidated federal income tax return on a September 30 fiscal tax year. The provision for income taxes for the periods ended December 31, 2010, 2009 and 2008 are as follows:

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	2010	Year Ended December 31, 2009	2008
		(In thousands)	
CURRENT:			
U.S. Federal	\$ 36	\$ 35	\$ (1)
State and local	(99)	(1)	12
	(63)	34	11
DEFERRED:			
U.S. Federal	1,023	1,311	497
State and local	131	127	123
	1,154	1,438	620
	\$ 1,091	\$ 1,472	\$ 631

Taxes computed at the federal statutory rate of 35% for the years ended December 31, 2010, 2009 and 2008 are reconciled to American Independence Corp.'s actual income tax expense as follows:

	2010	2009	2008
		(In thousands)	
Tax computed at the statutory rate	\$ 1,117	\$ 1,430	\$ 585
Dividends received deduction and tax exempt interest	(55)	(46)	(46)
State and local income taxes, net of federal effect	21	82	88
Other, net	8	6	4
Income tax	\$ 1,091	\$ 1,472	\$ 631

The federal income tax provision for the periods ending December 31, 2010, 2009 and 2008 include income tax benefits of \$1,023,000, \$1,311,000 and \$497,000, respectively, for the utilization of American Independence Corp.'s federal NOL carryforwards. American Independence Corp. recorded deferred tax benefits on discontinued operations of \$40,000 for the period ending December 31, 2008, which were included in Loss on Disposition of Discontinued Operations, net of tax, in the Consolidated Statement of Operations

The tax effect of temporary differences that give rise to significant portions of the net deferred tax assets at December 31, 2010 and 2009 are as follows:

	2010	2009
	(In thousands)	
DEFERRED TAX ASSETS:		
Net liabilities associated with discontinued operations	\$ -	\$ 43
Investments	742	679
Unpaid accruals	161	161
Property and equipment	141	141
Other	35	11
Compensation accruals	1,012	986
Derivative liability	908	681
Insurance reserves	131	166
Unrealized securities losses	(36)	281
Net operating loss carryforwards	97,655	98,177
Total gross deferred tax assets	100,749	101,326
Less valuation allowance	(86,059)	(86,384)
Net deferred tax assets	14,690	14,942
DEFERRED TAX LIABILITIES:		
Goodwill	(516)	(282)
MGU partnership income	(3,924)	(3,388)
Total gross deferred tax liabilities	(4,440)	(3,670)
Net deferred tax asset	\$ 10,250	\$ 11,272

During the year ended December 31, 2010 and 2009 American Independence Corp. decreased its valuation allowance by \$325,000 and \$1,131,000, respectively, due to deferred tax on unrealized gains allocated to equity.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management believes that it is more likely than not that American Independence Corp. will realize the benefits of these net deferred tax assets recorded at December 31, 2010.

At December 31, 2010, American Independence Corp. had federal NOL carryforwards of approximately \$273,544,000 which expire as follows (in thousands):

Tax Year:	
2019	\$ 16,677
2020	70,827
2021	142,530
2022	41,252
2023	528
2024	2
2025	-
2026	354
2027	-
2028	2
2029	1,372
	\$ 273,544

At December 31, 2010, American Independence Corp. also had NOL carryforwards of approximately \$25,814,000 for state income tax purposes, primarily in the State of California. American Independence Corp. management believes that it is more likely than not that the state tax benefit of these net operating loss carryforwards will not be realized and has provided a valuation allowance against the full amount.

AMIC's ability to utilize its federal NOL carryforwards would be substantially reduced if AMIC were to undergo an "ownership change" within the meaning of Section 382(g)(1) of the Internal Revenue Code. AMIC will be treated as having had an "ownership change" if there is more than a 50% increase in stock ownership during a three year "testing period" by "5% stockholders." In order to reduce the risk of an ownership change, in November 2002, AMIC's stockholders approved an amendment to its certificate of incorporation restricting transfers of shares of its common stock that could result in the imposition of limitations on the use, for federal, state and city income tax purposes, of AMIC's NOL carryforwards and certain federal income tax credits. The certificate of incorporation generally restricts any person from attempting to sell, transfer or dispose, or purchase or acquire any AMIC stock, if such transfer would affect the percentage of AMIC stock owned by a 5% stockholder. Any person attempting such a transfer will be required, prior to the date of any proposed transfer, to request in writing that the board of directors review the proposed transfer and authorize or not authorize such proposed transfer. Any transfer attempted to be made in violation of the stock transfer restrictions will be null and void. In the event of an attempted or purported transfer involving a sale or disposition of capital stock in violation of stock transfer restrictions, the transferor will remain the owner of such shares. Notwithstanding such transfer restrictions, there could be circumstances under which an issuance by AMIC of a significant number of new shares of common stock or other new class of equity security having certain characteristics (for example, the right to vote or convert into Common Stock) might result in an ownership change under the Code.

As of December 31, 2010, AMIC believes there were no material uncertain tax positions that would require disclosure under GAAP.

16. Insurance Reserves

American Independence Corp. maintains loss reserves to cover its estimated liability for unpaid losses and loss adjustment expenses, including legal and other fees and a portion of American Independence Corp.'s general expenses, for reported and unreported claims incurred as of the end of each accounting period. These loss reserves are based on actuarial assumptions and are maintained at levels that are in accordance with U.S. GAAP. Many factors could affect these reserves, including economic and social conditions, inflation, healthcare costs, changes in doctrines of legal liability and damage awards in litigation. Therefore, American Independence Corp.'s reserves are necessarily based on estimates, assumptions and analysis of historical experience. American Independence Corp.'s results depend upon the

variation between actual claims experience and the assumptions used in determining reserves and pricing products. Reserve assumptions and estimates require significant judgment and, therefore are inherently uncertain. American Independence Corp. cannot determine with precision the ultimate amounts that will be paid for actual claims or the timing of those payments.

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Reserves are based on approved actuarial methods, but necessarily include assumptions about expenses, mortality, morbidity, lapse rates and future yield on related investments.

All of American Independence Corp.'s short-duration contracts are generated from its accident and health business, and are accounted for based on actuarial estimates of the amount of loss inherent in that period's claims, including losses incurred for which claims have not been reported. Short-duration contract loss estimates rely on actuarial observations of ultimate loss experience for similar historical events.

	Year Ended December 31,	
	2010	2009
	(In thousands)	
Balance at a beginning of period	\$ 29,286	\$ 32,760
Less: reinsurance recoverables	(5,982)	(3,943)
Net balance at beginning of period	23,304	28,817
Amount incurred:		
Current year	51,035	59,990
Prior years	(809)	(332)
Total	50,226	59,658
Amount paid, related to:		
Current year	33,944	39,196
Prior years	20,388	25,975
Total	54,332	65,171
Net balance at end of period	19,198	23,304
Plus: reinsurance recoverables	5,800	5,982
Balance at end of period	\$ 24,998	\$ 29,286

The preceding schedule reflects (i) due and unpaid claims, (ii) claims in the course of settlement, (iii) estimated incurred but not reported reserves and (iv) the present value of amounts not yet due on claims. The incurred and paid data above reflects all activity for the year. The amount incurred in 2010 for prior years of \$(809,000) is a result of a redundancy of \$1,355,000 of fully insured health reserves and of \$340,000 of DBL reserves, offset by the re-estimation of unpaid losses on medical stop-loss reserves of \$886,000. The amount incurred in 2009 for prior years of \$(332,000) is a result of a redundancy of \$294,000 of medical stop-loss reserves and of \$247,000 of DBL reserves, offset by the re-estimation of unpaid losses on fully insured health reserves of \$209,000. Fluctuations are generally the result of on-going analysis of recent loss development trends.

Medical stop-loss business is excess coverage with a short duration. Predicting ultimate claims and estimating reserves in medical stop-loss is especially complicated due to the “excess of loss” nature of these products with very high deductibles applying to specific claims on any individual claimant and in the aggregate for a given group. Fluctuations in results for specific coverage are primarily due to the severity and frequency of individual claims. Due to the short-term nature of medical stop-loss, redundancies and deficiencies will typically emerge during the following year rather than over a number of years.

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17. Reinsurance

Independence American reinsures a portion of its direct business in order to limit the assumption of disproportionate risks. Amounts not retained are ceded to other companies on an automatic basis. Independence American is contingently liable with respect to reinsurance in the unlikely event that the assuming reinsurers are unable to meet their obligations. The ceding of reinsurance does not discharge the primary liability of the original insurer to the insured. At December 31, 2010, Independence American ceded to highly rated reinsurers.

The effect of reinsurance on insurance benefits and premiums earned is as follows (in thousands):

	DIRECT AMOUNT	ASSUMED FROM OTHER COMPANIES	CEDED TO OTHER COMPANIES	NET AMOUNT	% OF AMOUNT ASSUMED TO NET	
Insurance Benefits:						
Year ended December 31, 2010	\$25,265	\$ 31,467	\$ 6,506	\$50,226	63	%
Year ended December 31, 2009	25,272	39,516	5,131	59,657	66	%
Year ended December 31, 2008	24,684	46,430	1,000	70,114	66	%
Premiums Earned:						
Year ended December 31, 2010	\$41,264	\$ 45,315	\$ 12,720	\$73,859	61	%
Year ended December 31, 2009	37,396	56,664	8,545	85,515	66	%
Year ended December 31, 2008	32,342	66,911	2,269	96,984	69	%

18. Dividend Restrictions on Insurance Subsidiary

Dividends from Independence American to its parent, a subsidiary of AMIC, are subject to the prior notification to the Delaware Insurance Commissioner, if such dividends, together with the fair market value of other dividends or distributions made within the preceding twelve months, exceed the greater of (i) 10% of surplus as regards policyholders as of the preceding December 31 or (ii) net income, not including realized capital gains, for the twelve-month period ending the December 31 next preceding. Such dividends may be paid as long as they have not been disapproved by the Delaware Insurance Commissioner within 30 days of its receipt of notice thereof. Independence American paid dividends of \$1,500,000 in 2010 and no dividends 2009.

Independence American's statutory surplus was \$47,392,000 (unaudited) as of December 31, 2010 and \$44,215,000 as of December 31, 2009. Independence American's statutory net income was \$2,697,000 (unaudited) for 2010, \$2,760,000 for 2009, and \$2,323,000 for 2008.

19. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) include (i) net income or loss reported in the Consolidated Statements of Operations, (ii) certain amounts reported directly in stockholders' equity, principally the after-tax net unrealized gains and losses on investment securities available for sale including the subsequent increases and decreases in fair value of available-for-sale securities previously impaired, and (iii) effective April 1, 2009, the non-credit related component of other-than-temporary impairments of fixed maturities.

The comprehensive income (loss) for years 2010, 2009 and 2008 is summarized as follows (in thousands):

	2010	Year Ended December 31, 2009	2008
Net income	\$2,982	\$3,166	\$1,436
Unrealized holdings gains (losses) arising during the period	506	3,605	(4,897)
Reclassification adjustment for (gains) losses included in earnings	244	(275)	1,038
Reclassification of losses recognized as other-than-temporary impairments in earnings	179	-	1,006
Net unrealized gains (losses) on certain available-for-sale securities arising during the period	929	3,330	(2,853)
Comprehensive income (loss)	3,911	6,496	(1,417)
Comprehensive income attributable to non-controlling interests	(883)	(554)	(471)
Comprehensive income (loss) attributable to American Independence Corp.	\$3,028	\$5,942	\$(1,888)

Accumulated other comprehensive income at December 31, 2010 and 2009 includes an adjustment of \$99,000 related to the non-credit related component of other-than-temporary impairment losses recorded in connection with new accounting standards adopted on April 1, 2009. No losses for other-than-temporary impairments were recognized in other comprehensive income since the adoption, in the second quarter of 2009, of the new accounting standards related to other-than-temporary impairments.

20. Marketing Agreements

In February 2006, Independence American entered into an agreement (the “EDH Agreement”) with Employers Direct Health, Inc. (“EDH”). Under the EDH Agreement, EDH began writing employer medical stop-loss for Independence American in 2006, and moved the majority of its existing block of employer-sponsored group major medical and medical stop-loss to Independence American during 2007. The employer-sponsored group major medical product is part of American Independence Corp.’s fully insured health line of business. Independence American paid EDH \$2,500,000, which EDH simultaneously paid to IHC in consideration of IHC issuing 125,000 shares of IHC common stock (“IHC Stock”) to EDH. As part of the EDH Agreement, an affiliate of EDH and Independence American agreed to a profit/loss sharing arrangement whereby Independence American will pay to, or receive from, such affiliate 35% of the underwriting profit or loss associated with the fully insured and medical stop-loss business written by Independence American through treaty year 2009. For treaty year 2010, the profit/loss sharing percentage remained at 35% for fully insured business and increased to 50% for medical stop-loss business. Accordingly, American Independence Corp. has recorded a profit sharing commission expense on the business underwritten in the twelve months period ended December 31, 2010. The IHC stock is held by Independence American as collateral to satisfy EDH’s obligation under the profit/loss sharing agreement.

Derivative Liability

The EDH Agreement terminates on December 31, 2011; provided, it will automatically be extended to December 31, 2016, subject to satisfaction of certain conditions as to premium volume and profitability. Assuming these conditions are satisfied, EDH would be entitled to up to an additional \$2,500,000 depending on the value of the IHC Stock as of December 31, 2011. American Independence Corp. recorded a derivative liability (“EDH Derivative”) and an intangible asset on its balance sheet in the amount of \$743,000 to account for the fair value of such contingent payment at closing. The EDH Derivative is evaluated each quarter and is recorded in the Consolidated Balance Sheet as a

liability at fair value. The corresponding changes in unrealized gains or losses are reported in other income (loss) in the Consolidated Statements of Operations.

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As a result of an actuarial evaluation of certain performance thresholds of EDH's block of business, American Independence Corp. determined that such thresholds are not likely to be achieved. Therefore, the fair value of the derivative liability representing the contingent payment to EDH was \$0 as of December 31, 2010 and 2009.

The gain recognized on the derivative for the twelve months ended December 31, 2010, 2009 and 2008 are as follows (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized in Income on Derivative	Amount of Gain Recognized in Income on Derivative Year Ended December 31,		
		2010	2009	2008
EDH Derivative	Other income	\$ -	\$ 205	\$ 1,043
Total		\$ -	\$ 205	\$ 1,043

If the EDH Agreement is extended to December 31, 2016, subject to satisfaction of certain further conditions as to premium volume and profitability, EDH would be entitled to up to an additional \$5,000,000 depending on the value of the IHC Stock as of December 31, 2016. In addition, EDH could be entitled to a \$1,000,000 bonus on December 31, 2013, subject to satisfaction of certain conditions as to premium volume and profitability.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS
ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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INDEMNIFICATION OF DIRECTORS AND OFFICERS

The following summary is qualified in its entirety by reference to the complete text of the statutes referred to below and to Independence Holding Company's certificate of incorporation.

Independence Holding Company's certificate of incorporation provides that Independence Holding Company shall indemnify to the full extent permitted by law and by the by-laws of the Corporation any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that such person, or such person's testator or intestate is or was an officer, employee or agent of Independence Holding Company or serves or served any other corporation, partnership, joint venture, trust or other enterprise as a director, officer, employee, agent or trustee at the express or implied request of Independence Holding Company. To the fullest extent permitted by Delaware law, such indemnity shall extend to the officers and Trustees of Independence Mortgage Trust, a Georgia business trust, as predecessor to Independence Holding Company.

Section 145 of the DGCL permits a corporation to indemnify any director or officer of the corporation against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any action, suit or proceeding brought by reason of the fact that such person is or was a director or officer of the corporation, if such person acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he had no reason to believe his conduct was unlawful. In a derivative action (i.e., one brought by or on behalf of the corporation), however, indemnification may be made only for expenses, actually and reasonably incurred by any director or officer in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made if such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the Delaware Court of Chancery or the court in which the action or suit was brought shall determine that the defendant is fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability.

Independence Holding Company may purchase and maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of Independence Holding Company or another corporation, partnership, limited liability company, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not Independence Holding Company would have the power to indemnify such person against such expense, liability or loss under the DGCL.

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits.

See the Exhibit Index.

(b) Financial Statement Schedules.

See Index to IHC's Consolidated Financial Statements and Schedules on page F-1

See Index to AMIC's Consolidated Financial Statements and Schedules on page F-83.

(c) Reports, Opinions and Appraisals.

None.

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UNDERTAKINGS

(1) The undersigned registrant hereby undertakes as follows: That prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.

(2) The registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (h)(1) immediately preceding, or (ii) that purports to meet the requirements of section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Independence Holding Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-4 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of New York, State of York, on June 16, 2011.

INDEPENDENCE HOLDING COMPANY

By: /s/ Roy T.K. Thung
Roy T.K. Thung
Chief Executive Officer, President and
Chairman of
the Board of Directors
(Principal Executive Officer)

By: /s/ David T. Kettig
David T. Kettig
Chief Operating Officer, Senior Vice
President and
Director
(Principal Operating Officer)

By: /s/ Teresa A. Herbert
Teresa A. Herbert
Chief Financial Officer and Senior Vice
President
(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Roy T.K. Thung, Adam C. Vandervoort and Teresa A. Herbert, and each of them, such person's true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for such person and in such person's name, place and stead, in any and all capacities (including such person's capacity as a director and/or officer of Independence Holding Company), to sign any and all amendments to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each said attorney-in-fact and agent, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

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Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated as of June 16, 2011:

/s/ Roy T.K. Thung
Roy T.K. Thung
Chief Executive Officer, President and
Chairman of the Board of Directors
(Principal Executive Officer)

/s/ Steven B. Lapin
Steven B. Lapin
Vice Chairman of the Board of Directors

/s/ Larry R. Graber
Larry R. Graber
Senior Vice President – Life and Annuities
and Director

/s/ David T. Kettig
David T. Kettig
Chief Operating Officer, Senior Vice President
and Director

/s/ Allan C. Kirkman
Allan C. Kirkman
Director

/s/ John L. Lahey
John L. Lahey
Director

/s/ James G. Tatum
James G. Tatum
Director

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
3.1	Restated Certificate of Incorporation of Independence Holding Company, filed August 9, 1996 (incorporated by reference to Exhibit 3(i) to the Registrant’s Quarterly Report on Form 10-Q filed on August 13, 1996), as amended by a Certificate of Amendment filed July 29, 2004 (incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed on July 29, 2004).
3.2	By-laws of Independence Holding Company as (incorporated by reference to Exhibit 3.3 to the Registrant’s Annual Report on Form 10-K filed on March 16, 2007).
5.1**	Opinion of Adam C. Vandervoort, Esq.
10.1	Indemnity Agreement, dated as of May 16, 2008, by and among Independence Holding Company, Mr. Stephen A. Wood, Mr. Scott M. Wood, SAW Trust, dated April 1, 1991 and SAW Trust I, dated November 1, 1986. (Filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on May 23, 2008 and incorporated herein by reference.)
10.2	Independence Holding Company 2006 Stock Incentive Plan (the “2006 Plan”), Form of Stock Option Agreement pursuant to the 2006 Plan, Form of Restricted Share Award Agreement pursuant to the 2006 Plan and Form of Share Appreciation Rights Award Agreement pursuant to the 2006 Plan. (The 2006 Plan was filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on June 21, 2006 and is incorporated herein by reference; the form of stock option agreement was filed as Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on June 21, 2006 and is incorporated herein by reference; the form of restricted share award agreement was filed as Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on June 21, 2006 and is incorporated herein by reference; and the form of share appreciation rights award agreement was filed as Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on June 21, 2006 and is incorporated herein by reference.)
10.3	Independence Holding Company 2003 Stock Incentive Plan (the “2003 Plan”), as amended and Form of Restricted Stock Grant Agreement pursuant to the 2003 Plan. (The 2003 Plan was filed as Exhibit A to our Definitive Proxy Statement, Commission File No. 0-10306, and is incorporated herein by reference; the First Amendment to the 2003 Plan was filed as Exhibit 10(iii)(A)(7)(a) to our Current Report on Form 8-K filed with the SEC on April 14, 2005 and is incorporated herein by reference; and the form of restricted stock grant agreement was filed as Exhibit 10(iii)(A).8-2 to our Annual report on Form 10-K for the year ended December 31, 2005 and is incorporated herein by reference.)
10.4	Independence Holding Company 1988 Stock Incentive Plan, as amended (the “1988 Plan”), Form of Stock Option Agreement pursuant to the 1988 Plan and Form of Stock Appreciation Rights Agreement pursuant to the 1988 Plan. (The 1988 Plan was filed as Exhibit A to our Definitive Proxy Statement, Commission File No. 0-10306, and is incorporated herein by reference; the First Amendment to the 1988 Plan was filed as Exhibit 10(iii)(A)(5) to the Company Annual Report on Form 10-K for the year ended December 31, 1997 and is incorporated herein by reference; the form of stock option agreement was filed as a Exhibit to our Annual Report on Form 10-K for the year ended December 31, 1988 and is incorporated herein by reference; the form of stock appreciation rights agreement was filed as Exhibit 10(iii)(A)(6) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference.)
10.5	2006 Deferred Compensation Agreements for Performance Bonus, dated as of June 15, 2006, between Independence Holding Company and, respectively, Ms. Teresa A. Herbert, Mr. David T. Kettig and Mr. Jeffrey C. Smedsrud. (Filed, respectively, as Exhibit 10(iii)(A).9-3, Exhibit 10(iii)(A).9-4 and Exhibit 10(iii)(A).9-5 to our Current Report on Form 8-K filed with the SEC on June 21, 2006, and incorporated

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herein by reference.)

- 10.6 2005 Deferred Compensation Agreements for Performance Bonus, dated as of June 17, 2005, between Independence Holding Company and, respectively, Ms. Teresa A. Herbert and Mr. David T. Kettig. (Filed, respectively, as Exhibit 10(iii)(A)(8)(a) and Exhibit 10(iii)(A)(8)(b) to our Current Report on Form 8-K filed with the SEC on June 22, 2005, and incorporated herein by reference.)
- 10.7 Retirement Benefit Agreement, dated as of September 30, 1991, between Independence Holding Company and Mr. Roy T.K. Thung, as amended. (Filed as an Exhibit to our Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference; Amendment No. 1 filed as Exhibit 10(iii)(A)(4a) to our Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference; Amendment No. 2 filed as Exhibit 10(iii)(4)(b) to our Current Report on Form 8-K filed with the SEC on June 22, 2005 and incorporated herein by reference; Amendment No. 3 filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on January 7, 2009 and incorporated herein by reference.)

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- 10.8 Senior Leadership Team Annual Cash Bonus Plan, effective as of November 9, 2005. (Filed as Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on November 10, 2005 and incorporated herein by reference.)
- 10.9 Officer Employment Agreement, by and among Independence Holding Company, Standard Security Life Insurance Company of New York and Mr. David T. Kettig, dated as of April 18, 2011. (Filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on April 22, 2011 and incorporated herein by reference.)
- 10.10 Officer Employment Agreement, by and among Independence Holding Company, Madison National Life Insurance Company, Inc. and Mr. Larry R. Graber, dated as of April 18, 2011. (Filed as Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on April 22, 2011 and incorporated herein by reference.)
- 10.11 Officer Employment Agreement, by and among Independence Holding Company, IHC Health Solutions, Inc. and Mr. Jeffrey C. Smedsrud, dated as of April 18, 2011. (Filed as Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on April 22, 2011 and incorporated herein by reference.)
- 10.12 Officer Employment Agreement, by and among Independence Holding Company, Actuarial Management Corporation and Mr. Bernon R. Erickson, Jr., dated as of April 18, 2011. (Filed as Exhibit 10.4 to our Current Report on Form 8-K filed with the SEC on April 22, 2011 and incorporated herein by reference.)
- 10.13 Officer Employment Agreement, by and between Independence Holding Company and Ms. Teresa A. Herbert, dated as of April 18, 2011. (Filed as Exhibit 10.5 to our Current Report on Form 8-K filed with the SEC on April 22, 2011 and incorporated herein by reference.)
- 12.1** Computation of Ratio of Earnings to Fixed Charges.
21 Subsidiaries of Independence Holding Company, as of March 16, 2010. (Filed as Exhibit 21 to our Annual Report on Form 10-K for the year ended December 31, 2010 and incorporated herein by reference.)
- 23.1** Consent of Adam C. Vandervoort, Esq. (included in his opinion in Exhibit 5.1).
- 23.2* Consent of KPMG LLP, Independent Registered Public Accounting Firm.
- 23.3* Consent of KPMG LLP, Independent Registered Public Accounting Firm.
- 24.1** Power of Attorney (set forth on the signature page of this Registration Statement).
- 99.1** Form of Letter of Transmittal.
- 99.2** Form of Notice of Guaranteed Delivery.
- 99.3** Form of Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
- 99.4** Form of Letter to Clients for Use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

*

Filed herewith.

**Previously filed.

SCHEDULE I

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
SUMMARY OF INVESTMENTS – OTHER THAN INVESTMENTS IN RELATED PARTIES
DECEMBER 31, 2010

TYPE OF INVESTMENT	COST	VALUE (In thousands)	AMOUNT SHOWN IN BALANCE SHEET
FIXED MATURITIES:			
United States Government and Government agencies and authorities	\$26,686	\$27,192	\$ 27,192
GSEs(1)	70,199	70,527	70,527
States, municipalities and political subdivisions	365,578	359,490	359,490
Public utilities	6,661	6,734	6,734
All other debt securities	325,676	329,713	329,713
TOTAL FIXED MATURITIES	794,800	793,656	793,656
EQUITY SECURITIES:			
Common stock	4,600	4,669	4,669
Non-redeemable preferred stocks	41,320	43,404	43,404
TOTAL EQUITY SECURITIES	45,920	48,073	48,073
Short-term investments	53	53	53
Securities purchased under agreements to resell	41,081	41,081	41,081
Investment partnership interests	6,364	6,364	6,364
Operating partnership interests	6,138	6,138	6,138
Policy loans	23,216	23,216	23,216
Investment in trust subsidiaries	1,146	1,146	1,146
TOTAL INVESTMENTS	\$918,718	\$919,727	\$ 919,727

(1) Government-sponsored enterprise securities consist of Federal National Mortgage Association mortgage-backed securities and other fixed maturity securities issued by the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association.

SCHEDULE II

INDEPENDENCE HOLDING COMPANY
BALANCE SHEETS
(PARENT COMPANY ONLY)

DECEMBER 31,
2010 2009
(In thousands, except share data)

ASSETS:		
Cash and cash equivalents	\$ 601	\$ 453
Fixed maturities, available-for-sale	771	3,521
Other investments	6,323	5,665
Investments in continuing consolidated subsidiaries	310,814	235,473
Investment in AMIC	-	11,549
Taxes receivable	13,626	12,387
Goodwill	228	1,997
Other assets	59	129
TOTAL ASSETS	\$ 332,422	\$ 271,174
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and other liabilities	\$ 4,207	\$ 4,378
Amounts due to consolidated subsidiaries, net	23,269	18,540
Income taxes payable	5,374	4,671
Net liabilities related to discontinued operations	771	1,546
Junior subordinated debt securities	38,146	38,146
Dividends payable	381	386
TOTAL LIABILITIES	72,148	67,667
STOCKHOLDERS' EQUITY:		
Preferred stock (none issued)	-	-
Common stock, \$1.00 par value, 20,000,000 shares authorized; 15,472,020 and 15,459,720 shares issued, 15,232,865 and 15,426,965 shares outstanding	15,472	15,460
Paid-in capital	101,003	100,447
Accumulated other comprehensive income (loss)	633	(7,104)
Treasury stock, at cost; 239,155 and 32,755 shares	(1,917)	(326)
Retained earnings	115,437	94,490
TOTAL IHC'S STOCKHOLDERS' EQUITY	230,628	202,967
NONCONTROLLING INTERESTS IN SUBSIDIARIES	29,646	540
TOTAL EQUITY	260,274	203,507
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 332,422	\$ 271,174

The financial information of Independence Holding Company (Parent Company Only) should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

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SCHEDULE II

(Continued)

INDEPENDENCE HOLDING COMPANY
STATEMENTS OF OPERATIONS
(PARENT COMPANY ONLY)

	2010	2009	2008
	(In thousands)		
REVENUES:			
Net investment income (expense)	\$746	\$1,298	\$(2,194)
Net realized investment gains (losses)	62	(2)	(38)
Other-than-temporary impairment losses	-	(1,735)	-
Other income	3,142	3,357	2,986
	3,950	2,918	754
EXPENSES:			
Interest expense on debt	1,589	2,269	2,993
General and administrative expenses	3,805	4,229	3,052
	5,394	6,498	6,045
Loss before tax benefit	(1,444)	(3,580)	(5,291)
Income tax benefit	(559)	(1,446)	(1,918)
Loss before equity in net income (loss) of subsidiaries	(885)	(2,134)	(3,373)
Equity in net income (loss) of subsidiaries	24,554	(5,299)	(21,205)
Income (loss) from continuing operations	23,669	(7,433)	(24,578)
Discontinued operations:			
Income (loss) from discontinued operations	(256)	301	644
Net income (loss)	23,413	(7,132)	(23,934)
(Income) loss from noncontrolling interests in subsidiaries	(1,676)	10	94
Net loss attributable to IHC	\$21,737	\$(7,122)	\$(23,840)

The financial information of Independence Holding Company (Parent Company Only) should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

SCHEDULE II

(Continued)

INDEPENDENCE HOLDING COMPANY
STATEMENTS OF CASH FLOWS
(PARENT COMPANY ONLY)

	2010	2009	2008
	(In thousands)		
CASH FLOWS PROVIDED BY (USED BY)			
OPERATING ACTIVITIES:			
Net income (loss)	\$23,413	\$(7,132)	\$(23,934)
Adjustments to net income (loss):			
Equity in net (income) loss of subsidiaries	(24,554)	5,299	21,205
(Income) loss from discontinued operations	256	(301)	(644)
Other	(640)	(248)	(1,940)
Changes in other assets and liabilities	368	6,223	1,091
Net change in cash from operating activities	(1,157)	3,841	(4,222)
CASH FLOWS PROVIDED BY (USED BY)			
INVESTING ACTIVITIES:			
Decrease in investments in and advances to consolidated subsidiaries	1,762	2,500	1,563
Purchases of fixed maturities	(2,567)	(5,007)	-
Sales of fixed maturities	5,377	1,501	-
Net distributions from other investments	(659)	(1,174)	2,358
Other	(199)	-	-
Net change in cash from investing activities	3,714	(2,180)	3,921
CASH FLOWS PROVIDED BY (USED BY)			
FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	-	1	1,401
Repurchases of common stock	(1,591)	-	(133)
Exercises of common stock options	-	-	173
Excess tax benefits from exercises of common stock options and vesting of restricted stock	(51)	(720)	(363)
Dividends paid	(767)	(746)	(768)
Net change in cash from financing activities	(2,409)	(1,465)	310
Net change in cash and cash equivalents	148	196	9
Cash and cash equivalents, beginning of year	453	257	248
Cash and cash equivalents, end of year	\$601	\$453	\$257

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The financial information of Independence Holding Company (Parent Company Only) should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

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INDEPENDENCE HOLDING COMPANY
SUPPLEMENTARY INSURANCE INFORMATION
(In thousands)

	FUTURE POLICY DEFERRED ACQUISITION COSTS	BENEFITS & LOSSES CLAIMS	NEAR- EARNED PREMIUMS (3)	OTHER POLICY- HOLDERS FUNDS	NET PREMIUMS EARNED	NET INVESTMENT INCOME	INSURANCE NET BENEFITS & CLAIMS RESERVES	DEFERRED & ACQUIRED COSTS	GENERAL & ADMINISTRATIVE EXPENSES	NET WRITTEN PREMIUMS
December 31, 2010										
Medical Stop-Loss	\$ -	64,339	-	-	121,156	4,080	89,968	-	38,808	\$ 121,156
Fully Insured										
Health	87	34,540	1,452	589	120,818	1,454	81,676	28	65,854	120,598
Group disability; life, annuities and DBL	4,015	249,937	2,336	26	55,828	9,668	41,440	497	17,389	55,791
Individual life, annuities and other	39,363	547,527	255	19,580	28,344	25,839	38,234	5,718	12,472	28,340
Corporate	-	-	-	-	-	760	-	-	5,120	-
	\$ 43,465	896,343	4,043	20,195	326,146	41,801	251,318	6,243	139,643	\$ 325,885
December 31, 2009										
Medical Stop-Loss	\$ -	71,504	-	-	127,724	3,690	92,899	-	36,513	\$ 127,724
Fully Insured										
Health	115	34,721	2,065	506	84,698	789	58,500	28	65,255	84,395
Group disability; life, annuities and DBL	4,003	234,986	2,108	44	54,896	9,657	39,270	364	18,251	54,988
Individual life, annuities and other	40,126	552,267	9,044	19,967	27,481	28,070	34,565	5,127	14,644	27,476
Corporate	-	-	-	-	-	1,314	-	-	4,707	-
	\$ 44,244	893,478	13,217	20,517	294,799	43,520	225,234	5,519	139,370	\$ 294,583
December 31, 2008										

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Medical Stop-Loss	\$ -	89,684	-	-	159,392	4,273	117,076	-	43,823	\$ 159,392
Fully Insured Health	144	38,197	1,921	385	81,020	895	51,559	80	69,057	79,755
Group disability; life, annuities and DBL	5,115	214,440	1,824	59	46,957	10,323	33,718	149	16,441	46,992
Individual life, annuities and other	57,142	570,654	12,982	21,444	29,919	31,306	38,184	6,116	11,824	29,912
Corporate	-	-	-	-	-	(2,753)	-	-	2,861	-
	\$ 62,401	912,975	16,727	21,888	317,288	44,044	240,537	6,345	144,006	\$ 316,051

(1) Net investment income is allocated between product lines based on the mean reserve method.

(2) Where possible, direct operating expenses are specifically identified and charged to product lines. Indirect expenses are allocated based on time studies; however, other acceptable methods of allocation might produce different results.

(3) 2009 and 2008 include \$8,847,000 and \$12,781,000, respectively, of unearned premium reserves related to the co-insurance agreement for the sale of the Company's credit segment. In 2010, these reserves were transferred in accordance with an assumption reinsurance agreement.

SCHEDULE IV

AMERICAN INDEPENDENCE CORP. AND SUBSIDIARIES
SUMMARY OF INVESTMENTS – OTHER THAN INVESTMENTS IN RELATED PARTIES
AS OF DECEMBER 31, 2010
(In thousands)

TYPE OF INVESTMENT	AMORTIZED COST	FAIR VALUE	AMOUNT SHOWN ON BALANCE SHEET
FIXED MATURITIES:			
BONDS:			
Corporate securities	\$ 15,850	\$15,769	\$ 15,769
Collateralized mortgage obligations (CMO) - residential	2,021	2,193	2,193
CMO - commercial	579	323	323
States, municipalities and political subdivisions	17,239	17,064	17,064
U.S. Government	10,137	10,296	10,296
Government sponsored enterprise (GSE)	7,678	7,818	7,818
Agency mortgage backed pass through securities (MBS)	256	273	273
TOTAL FIXED MATURITIES	53,760	53,736	53,736
EQUITY SECURITIES			
Common stock	604	610	610
Preferred stock with maturities	273	327	327
Preferred stock without maturities	2,993	3,060	3,060
TOTAL EQUITY SECURITIES	3,870	3,997	3,997
Securities purchased under agreements to resell	6,716	6,716	6,716
TOTAL INVESTMENTS	\$ 64,346	\$64,449	\$ 64,449

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