

INDEPENDENCE HOLDING CO
Form 424B3
July 15, 2011

The information in this prospectus is not complete and may be changed. We may not sell the securities offered by prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer, solicitation or sale is not permitted.

INDEPENDENCE HOLDING COMPANY

Offer to Exchange
Up to 1,452,935 Shares of Common Stock
of
American Independence Corp.
for
Shares of Independence Holding Company Common Stock
by
Independence Holding Company

At an Exchange Ratio of One Share of American Independence Corp. Common Stock for
0.625 Shares of Independence Holding Company Common Stock

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME, ON AUGUST 12, 2011, REFERRED TO AS THE "EXPIRATION DATE," UNLESS EXTENDED. SHARES TENDERED PURSUANT TO THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

Independence Holding Company is offering to exchange up to 1,452,935 shares of common stock of American Independence Corp. at an exchange ratio of one share of American Independence Corp. common stock for 0.625 shares of Independence Holding Company common stock, stated value \$1.00 per share, upon the terms and subject to the conditions in this prospectus and accompanying letter of transmittal. This offer is referred to in this prospectus as the "exchange offer" or the "offer." In addition, you will receive cash instead of any fractional shares of Independence Holding Company common stock to which you may be entitled.

Independence Holding Company is seeking to acquire up to 1,452,935 shares of American Independence Corp. common stock in the offer to increase ownership of its majority-owned subsidiary American Independence Corp. Following the consummation of the offer, Independence Holding Company intends to evaluate its investment in the American Independence Corp. common stock on a continual basis and may, from time to time, communicate with, make proposals to, or otherwise attempt to influence, American Independence Corp. management, members of American Independence Corp.'s board of directors and other stockholders of American Independence Corp. regarding the capitalization, business, operations and future plans of American Independence Corp.

Independence Holding Company's common stock is traded on the New York Stock Exchange under the symbol "IHC." American Independence Corp.'s common stock is traded on the NASDAQ Stock Exchange under the symbol "AMIC." On July 12, 2011, the last full trading day before Independence Holding Company announced the commencement of this offer and filed this prospectus, the closing price of a share of Independence Holding Company common stock was \$10.49 and the closing price of a share of American Independence Corp. common stock was \$5.90. Based on these closing prices and the exchange ratio in the offer of one share of American Independence Corp. common stock for 0.625 shares of Independence Holding Company common stock, the Independence Holding Company offer has a value of \$6.56 per share of American Independence Corp. common stock, representing a 11.1%

premium over American Independence Corp.'s closing share price on July 12, 2011. Based on the average closing prices of the shares on July 12, 2011 and on each of the preceding 60 trading days, the offer represents a premium of 6.6%.

FOR A DISCUSSION OF CERTAIN FACTORS THAT YOU SHOULD CONSIDER IN CONNECTION WITH THE OFFER, PLEASE CAREFULLY READ THE SECTION CAPTIONED "RISK FACTORS" BEGINNING ON PAGE 13.

Independence Holding Company's obligation to exchange shares of Independence Holding Company common stock for shares of American Independence Corp. common stock is subject to specified conditions, which are more fully described in the section captioned "The Offer—Conditions of the Offer." Independence Holding Company's offer is not conditioned on any minimum number of shares being tendered.

Independence Holding Company has not authorized any person to provide any information or to make any representation in connection with the offer other than the information contained in this prospectus, and if any person provides any of this information or makes any representation of this kind, that information or representation must not be relied upon as having been authorized by Independence Holding Company.

INDEPENDENCE HOLDING COMPANY IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND INDEPENDENCE HOLDING COMPANY A PROXY.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is July 15, 2011

THIS OFFER DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY MEETING OF STOCKHOLDERS OF AMERICAN INDEPENDENCE CORP.

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About This Prospectus

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or the SEC, and we will not consummate the exchange offer until the SEC has declared the registration statement effective. You should read this prospectus, including the annex, together with the registration statement, the exhibits thereto and the additional information described under the heading “Where You Can Find More Information.”

None of Independence Holding Company, the Exchange Agent or the Information Agent have authorized any person (including any dealer, salesperson or broker) to provide you with any information or to make any representation other than as contained in this prospectus. Independence Holding Company does not take any responsibility for, and can provide no assurance as to the reliability of, any information that others may give you. The information included in this prospectus is accurate as of the date of this prospectus. You should not assume that the information included in this prospectus is accurate as of any other date.

The exchange offer is being made on the basis of this prospectus and the letter of transmittal and is subject to the terms described in this prospectus and the letter of transmittal. This prospectus does not constitute an offer to participate in the exchange offer to any person in any jurisdiction in which it would be unlawful to make such exchange offers. Any decision to participate in the exchange offer must be based on the information included in this prospectus. In making an investment decision, prospective investors must rely on their own examination of Independence Holding Company and the terms of the exchange offer, including the merits and risks involved. Investors should not construe anything in this prospectus and the letter of transmittal as legal, investment, business or tax advice. Each investor should consult its advisors as needed to make its investment decision and to determine whether it is legally permitted to participate in the exchange offer under applicable laws or regulations.

This prospectus contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents themselves for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to in this prospectus will be made available to holders in the exchange offer at no cost. See “Where You Can Find More Information.”

You should not rely on or assume the accuracy of any representation or warranty in any agreement that we have filed as an exhibit to any document that we have publicly filed or that we may otherwise publicly file in the future because such representation or warranty may be subject to exceptions and qualifications contained in separate disclosure schedules, may have been included in such agreement for the purpose of allocating risk between the parties to the particular transaction, and may no longer continue to be true as of any given date.

References in this prospectus to “dollars” or “\$” are to the currency of the United States.

The industry and market data and other statistical information used throughout this prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources that we believe to be reliable.

QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

These answers to questions that you may have as a holder of American Independence Corp. common stock are highlights of selected information included elsewhere in this prospectus. To fully understand the exchange offer and the other considerations that may be important to your decision about whether to participate in it, you should carefully read this prospectus in its entirety, including the section entitled "Risk Factors" and the Consolidated Financial Statements and Notes thereto.

What is Independence Holding Company's Proposed Transaction?

Pursuant to the filing of the registration statement on Form S-4, of which this prospectus is a part, with the SEC, Independence Holding Company is offering to acquire up to 1,452,935 outstanding shares of American Independence Corp. common stock, in exchange for shares of Independence Holding Company common stock. According to American Independence Corp.'s transfer agent, there were 8,522,702 shares of American Independence Corp. common stock outstanding as of the close of business on July 1, 2011. As of the date of this prospectus, Independence Holding Company (and its wholly owned subsidiary, Madison Investors Corporation) owned 5,364,826 shares of American Independence Corp. common stock, representing approximately 63% of the outstanding shares. If Independence Holding Company acquires the maximum 1,452,935 shares in the offer, it (and its subsidiary) would collectively own 6,817,761 shares of American Independence Corp. common stock, representing approximately 80% of the outstanding shares.

How Many Shares Will Independence Holding Company Purchase in the Offer?

Independence Holding Company will purchase up to 1,452,935 shares of American Independence Corp. common stock in the offer, or such lesser number of shares as are validly tendered and not properly withdrawn. If more than 1,452,935 shares that would have otherwise been accepted are tendered pursuant to the offer, tendered shares will be purchased on a pro rata basis.

What Will I Receive in Exchange for My Shares of American Independence Corp. Common Stock?

In exchange for each share of American Independence Corp. common stock that is purchased pursuant to the offer, you will receive 0.625 shares of Independence Holding Company common stock. In addition, you will receive cash instead of any fractional shares of Independence Holding Company common stock to which you may be entitled. The number of shares of Independence Holding Company common stock into which one share of American Independence Corp. common stock will be exchanged in the offer is sometimes referred to in this prospectus as the "exchange ratio." Accordingly, a stockholder tendering two shares would receive one share of Independence Holding Company common stock, plus cash in lieu of fractional shares.

What is the Per Share Value of the Offer and the Premium Over American Independence Corp.'s Share Price?

Independence Holding Company's common stock is traded on the New York Stock Exchange under the symbol "IHC." American Independence Corp.'s common stock is traded on the NASDAQ Stock Exchange under the symbol "AMIC." On July 12, 2011, the last full trading day before Independence Holding Company announced the commencement of this offer and filed this prospectus, the closing price of a share of Independence Holding Company common stock was \$10.49 and the closing price of a share of American Independence Corp. common stock was \$5.90. Based on these closing prices and the exchange ratio in the offer of one share of American Independence Corp. common stock for 0.625 shares of Independence Holding Company common stock, the Independence Holding Company offer has a value of \$6.56 per share of American Independence Corp. common stock, representing a 11.1% premium over American Independence Corp.'s closing share price on July 12, 2011. Based on the average closing

prices of the shares on July 12, 2011 and on each of the preceding 60 trading days, the offer represents a premium of 6.6%.

The value of the offer will change as the market prices of Independence Holding Company common stock and American Independence Corp. common stock fluctuate during the offer period and thereafter, and may therefore be different from the prices set forth above at the expiration of the offer period and at the time you receive your shares of Independence Holding Company common stock. Stockholders are encouraged to obtain current market quotations for shares of Independence Holding Company and American Independence Corp. common stock prior to making any decision with respect to the offer. See “Risk Factors” and “Comparative Market Price Data.”

What does the Board of Directors of American Independence Corp. Think of the Offer?

American Independence Corp.’s board of directors has not approved this offer or otherwise commented on it as of the date of this prospectus. Within 10 business days after the date of this prospectus, American Independence Corp. is required by law to publish, send or give to you (and file with the SEC) a statement as to whether it recommends acceptance or rejection of the offer, that it has no opinion with respect to the offer or that it is unable to take a position with respect to the offer. Independence Holding Company has not discussed the offer with the board of directors of American Independence Corp. and expects its related parties on the American Independence Corp. board to abstain from any deliberations or decisions by such board related to the offer.

What are the Conditions of the Offer?

Independence Holding Company’s obligation to exchange shares of Independence Holding Company common stock for shares of American Independence Corp. common stock pursuant to the offer is subject to several conditions referred to below under “The Offer—Conditions of the Offer,” including the following:

“the “registration statement condition” —no stop order suspending the effectiveness of the registration statement of which this prospectus is a part shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC; and

“the “listing condition”— the shares of Independence Holding Company common stock to be issued pursuant to the offer shall have been authorized for listing on the New York Stock Exchange, subject to official notice of issuance.

The satisfaction or existence of any of the conditions to the offer, including the registration statement condition and the listing condition, will be determined by Independence Holding Company in its reasonable discretion. Any and all conditions to the offer, including the registration statement condition and the listing condition, may be waived (to the extent legally permissible) by Independence Holding Company in its reasonable discretion.

Will I Be Taxed on the Independence Holding Company Common Stock I Receive?

The receipt of Independence Holding Company common stock by a U.S. holder in exchange for its shares of American Independence Corp. common stock pursuant to the offer is expected to be a taxable transaction for U.S. federal income tax purposes. For a discussion of material U.S. federal tax consequences of the offer, see the section captioned “The Offer—Taxation.”

BECAUSE TAX MATTERS ARE COMPLICATED, INDEPENDENCE HOLDING COMPANY URGES YOU TO CONTACT YOUR TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE OFFER.

Is Independence Holding Company’s Financial Condition Relevant to My Decision to Tender in the Offer?

Yes. Independence Holding Company's financial condition is relevant to your decision to tender your shares because shares of American Independence Corp. common stock accepted in the offer will be exchanged for shares of Independence Holding Company common stock. You should therefore consider Independence Holding Company's financial condition before you decide to become one of Independence Holding Company's stockholders through the offer.

What Percentage of Independence Holding Company's Shares Will Former Holders of Shares of American Independence Corp. Common Stock Own After the Offer?

Based on the exchange ratio for the offer, Independence Holding Company estimates that, if the maximum 1,452,935 American Independence Corp. shares are exchanged pursuant to the offer, former American Independence Corp. stockholders would own, in the aggregate, approximately 5.7% of the outstanding shares of Independence Holding Company common stock, in addition to any current holdings. For a detailed discussion of the assumptions on which this estimate is based, see "The Offer—Ownership of Independence Holding Company After the Offer."

How Long Do I Have to Decide Whether to Tender in the Offer?

You have until 5:00 p.m., New York City time, on August 12, 2011 to decide whether to tender your shares in the offer unless Independence Holding Company extends the period of time during which the offer is open. If you cannot deliver everything required to make a valid tender to Broadridge Corporate Issuer Solutions, Inc., the exchange agent for the offer, prior to such time, you may be able to use a guaranteed delivery procedure to tender your shares in the offer, which is described in "The Offer—Guaranteed Delivery." When Independence Holding Company makes reference to the "expiration of the offer" or the "expiration date" anywhere in this prospectus, this is the time to which Independence Holding Company is referring, including, when applicable, any extension period that may apply.

Can the Offer Be Extended and Under What Circumstances?

Independence Holding Company may, in its sole discretion, extend the offer at any time or from time to time. For instance, the offer may be extended if any of the conditions specified in "The Offer—Conditions of the Offer" are not satisfied prior to the scheduled expiration date of the offer.

How Will I Be Notified if the Offer is Extended?

If Independence Holding Company decides to extend the offer, it will inform the exchange agent of that fact and will make a public announcement of the extension, not later than 9:00 a.m., New York City time, on the business day after the day on which the offer was scheduled to expire.

How Do I Tender My Shares?

To tender shares, you must deliver the certificates representing your shares, together with a properly completed and duly executed letter of transmittal, to the exchange agent not later than the time the offer expires. If your shares are held in street name by your broker, dealer, commercial bank, trust company or other nominee, such nominee can tender your shares through The Depository Trust Company. If you cannot deliver everything required to make a valid tender to the exchange agent for the offer prior to the expiration of the offer, you may have a limited amount of additional time by having a broker, a bank or other fiduciary that is a member of the Securities Transfer Agents Medallion Program or other eligible institution guarantee that the missing items will be received by the exchange agent within three business days after the expiration of the offer by using the enclosed notice of guaranteed delivery. However, the exchange agent must receive the missing items within that three business day period. For a complete discussion on the procedures for tendering your shares, see "The Offer—Procedure for Tendering" and "The Offer—Guaranteed Delivery."

Will I Have to Pay any Fee or Commission to Exchange Shares of American Independence Corp. Common Stock?

If you are the record owner of your shares and you tender your shares in the offer, you will not have to pay any brokerage fees, commissions or similar expenses. If you own your shares through a broker, dealer, commercial bank,

trust company or other nominee and your broker, dealer, commercial bank, trust company or other nominee tenders your shares on your behalf, they may charge a fee for doing so. You should consult your broker, dealer, commercial bank, trust company or other nominee to determine whether any charges will apply.

Until What Time Can I Withdraw Tendered Shares?

You can withdraw tendered shares at any time until the offer has expired and, if Independence Holding Company has not agreed to accept your shares for exchange by the expiration date, you can withdraw them at any time after that date until it accepts shares for exchange. For a complete discussion on the procedures for withdrawing your shares, see “The Offer—Withdrawal Rights.”

How Do I Withdraw Tendered Shares?

To withdraw shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to the exchange agent for the offer, while you have the right to withdraw the shares. If you tendered shares by giving instructions to a broker, dealer, commercial bank, trust company or other nominee, you must instruct the broker, dealer, commercial bank, trust company or other nominee to arrange for the withdrawal of your shares. For a complete discussion on the procedures for withdrawing your shares, see “The Offer—Withdrawal Rights.”

When and How Will I Receive the Independence Holding Company Shares for My Tendered Shares?

Independence Holding Company will exchange up to 1,452,935 validly tendered and not properly withdrawn American Independence Corp. shares promptly after the expiration date of the offer, subject to the terms of the offer and the satisfaction or waiver of the conditions to the offer, as set forth in “The Offer—Conditions of the Offer.” Independence Holding Company will exchange your validly tendered and not properly withdrawn shares by depositing shares of Independence Holding Company common stock with the exchange agent, which will act as your agent for the purpose of receiving shares from Independence Holding Company and transmitting such shares to you. In all cases, exchange of tendered shares will be made only after timely receipt by the exchange agent of certificates for such shares (or of a confirmation of a book-entry transfer of such shares as described in “The Offer—Procedure for Tendering”) and a properly completed and duly executed letter of transmittal and any other required documents for such shares.

Are Dissenters’ Rights Available in the Offer?

Dissenters’ rights are the rights of stockholders, in certain cases, to receive “fair value” for their shares, plus accrued interest, as determined by a statutorily-prescribed process, which may include a judicial appraisal process. Dissenters’ rights are not available in the offer. See “The Offer—Purpose of the Offer; Dissenters’ Rights.”

What is the Market Value of My Shares of American Independence Corp. Common Stock as of a Recent Date?

On July 12, 2011, the last full trading day before Independence Holding Company filed this prospectus, the closing price of a share of common stock of American Independence Corp. as reported on the NASDAQ Stock Exchange was \$5.90. Independence Holding Company advises you to obtain a recent quotation for the American Independence Corp. common stock before deciding whether to tender your shares.

Where Can I Find More Information on Independence Holding Company and American Independence Corp.?

You can find more information about Independence Holding Company and American Independence Corp. from various sources described in the section captioned “Where You Can Find More Information.”

Who Can I Talk to If I Have Questions About the Offer?

If you have questions regarding the procedures for tendering in the exchange offer or require assistance in tendering your American Independence Corp. common stock, please contact the exchange agent listed on the back cover of this prospectus. If you would like additional copies of this prospectus, our annual, quarterly, and current reports or proxy statement, please contact the information agent. The contact information for the exchange agent and the information agent is set forth on the back cover of this prospectus. Holders of American Independence Corp. common stock may also contact their brokers, dealers, commercial banks, trust companies or other nominees through whom they hold their American Independence Corp. common stock with questions and requests for assistance.

IF YOU HOLD YOUR AMERICAN INDEPENDENCE CORP. COMMON STOCK THROUGH A BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE, YOU SHOULD KEEP IN MIND THAT SUCH ENTITY MAY REQUIRE YOU TO TAKE ACTION WITH RESPECT TO THE EXCHANGE OFFER A NUMBER OF DAYS BEFORE THE EXPIRATION DATE IN ORDER FOR SUCH ENTITY TO TENDER AMERICAN INDEPENDENCE CORP. COMMON STOCK ON YOUR BEHALF ON OR PRIOR TO THE EXPIRATION DATE. TENDERS NOT RECEIVED BY THE EXCHANGE AGENT ON OR PRIOR TO THE EXPIRATION DATE WILL BE DISREGARDED AND HAVE NO EFFECT. IF YOUR INTEREST AS A HOLDER OF AMERICAN INDEPENDENCE CORP. COMMON STOCK IS IN CERTIFICATED FORM, YOU MUST DELIVER THE AMERICAN INDEPENDENCE CORP. COMMON STOCK CERTIFICATE TO BE EXCHANGED IN THE MANNER SPECIFIED IN THE ACCOMPANYING LETTER OF TRANSMITTAL AND A PROPERLY COMPLETED LETTER OF TRANSMITTAL.

WHERE YOU CAN FIND MORE INFORMATION

Independence Holding Company and American Independence Corp. file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that Independence Holding Company and American Independence Corp. file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information regarding the public reference room. Independence Holding Company's and American Independence Corp.'s public filings also are available to the public from commercial document retrieval services and at the Internet website maintained by the SEC at <http://www.sec.gov>.

Independence Holding Company has filed a registration statement on Form S-4 to register with the SEC the offering and sale of shares of Independence Holding Company common stock to be issued in the offer. This prospectus is a part of that registration statement. As allowed by SEC rules, this prospectus does not contain all of the information that you can find in the registration statement or the exhibits to the registration statement. For further information, reference is made to the registration statement and its exhibits. Independence Holding Company may also file amendments to the registration statement. You may obtain copies of the Form S-4 (and any amendments thereto) by contacting the information agent as directed on the back cover of this prospectus.

NOTE ON AMERICAN INDEPENDENCE CORP. INFORMATION

In respect of information relating to American Independence Corp.'s business, operations and management presented in, or omitted from, this prospectus, Independence Holding Company has relied upon publicly available information, primarily information publicly filed by American Independence Corp. with the SEC. Information publicly filed by American Independence Corp. may be examined and copies may be obtained at the places and in the manner set forth in the section captioned "Where You Can Find More Information." American Independence Corp. is a majority-owned subsidiary of Independence Holding Company, but non-public information concerning American Independence Corp.

was not available to Independence Holding Company for the purpose of preparing this prospectus. American Independence Corp. did not cooperate with Independence Holding Company in, and has not been involved in, the preparation of this prospectus and has not verified the information contained in this prospectus relating to American Independence Corp. Publicly available information concerning American Independence Corp. may contain errors. Independence Holding Company has no knowledge that would indicate that any statements contained herein regarding American Independence Corp.'s operations, financial condition or condition in general, based upon such publicly filed reports and documents, are inaccurate, incomplete or untrue. However, Independence Holding Company was not involved in the preparation of such reports and documents.

SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the following summary together with the more detailed information appearing in this prospectus, including “Selected Consolidated Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Risk Factors,” “Business” and our consolidated financial statements. It may not contain all the information that is important to you. We urge you to read carefully this entire prospectus and the other documents to which it refers to understand fully the terms of the notes. References in this prospectus to “IHC,” “the Company,” “we,” “us,” “our” and “ours” refer to Independence Holding Company and its subsidiaries unless the context otherwise requires.

Our Company

We are a Delaware corporation that was formed in 1980. We are a holding company principally engaged in the life and health insurance business with principal executive offices located at 96 Cummings Point Road, Stamford, Connecticut 06902. We provide specialized life and health coverage and related services to commercial customers and individuals. We focus on niche products and/or narrowly defined distribution channels in the United States. Our wholly owned insurance company subsidiaries, Standard Security Life Insurance Company of New York (“Standard Security Life”) and Madison National Life Insurance Company, Inc. (“Madison National Life”) market their products through independent and affiliated brokers, producers and agents. At July 1, 2011, we own a 62.95% equity interest in American Independence Corp., which owns Independence American Insurance Company (“Independence American”), a managing general underwriter (“MGU”) and controlling interests in two agencies. Independence American also distributes its products through independent and affiliated brokers, producers and agents, as well as to consumers through a dedicated controlled distribution.

Our website is located at www.ihcgroup.com. Detailed information about Independence Holding Company, its corporate affiliates and insurance products and services can be found on our website. In addition, we make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to such reports available, free of charge, through our website, as soon as reasonably practicable after they are filed with or furnished to the SEC. The information on our website, however, is not incorporated by reference in, and does not form part of, this prospectus.

The Offer

Independence Holding Company is offering to exchange up to 1,452,935 shares of American Independence Corp. common stock at an exchange ratio of one share of American Independence Corp. common stock for 0.625 shares of Independence Holding Company common stock, upon the terms and subject to the conditions contained in this prospectus and the accompanying letter of transmittal. In addition, you will receive cash instead of any fractional shares of Independence Holding Company common stock to which you may be entitled.

If we acquire all 1,452,935 shares we are seeking, we (including our wholly owned subsidiary, Madison Investors Corporation) will own approximately 80% of the issued and outstanding shares of American Independence Corp.

If more than 1,452,935 shares of American Independence Corp. common stock are validly tendered and not properly withdrawn, tendered shares will be purchased on a pro rata basis.

On July 12, 2011, the last full trading day before Independence Holding Company announced the commencement of this offer and filed this prospectus, the closing price of a share of Independence Holding Company common stock was \$10.49 and the closing price of a share of American Independence Corp. common stock was \$5.90. Based on these closing prices and the exchange ratio in the offer of one share of American Independence Corp. common stock for

0.625 shares of Independence Holding Company common stock, the Independence Holding Company exchange offer has a value of \$6.56 per share of American Independence Corp. common stock, representing a 11.1% premium over American Independence Corp.'s closing share price on July 12, 2011. Based on the respective average closing prices of the shares on July 12, 2011 and on each of the preceding 60 trading days, the offer represents a premium of 6.6%.

The value of the offer will change as the market prices of Independence Holding Company common stock and American Independence Corp. common stock fluctuate during the offer period and thereafter, and may therefore be different from the prices set forth above at the expiration of the offer period and at the time you receive your shares of Independence Holding Company common stock. Stockholders are encouraged to obtain current market quotations for shares of Independence Holding Company and American Independence Corp. common stock prior to making any decision with respect to the offer. See “Risk Factors” and “Comparative Market Price Data.”

Independence Holding Company estimates that it will incur approximately \$175,000 of fees and expenses in connection with the offer, including cash to be paid in lieu of fractional shares. See “Fees and Expenses.”

Reasons for the Offer

We are seeking to acquire up to 1,452,935 shares of American Independence Corp. common stock in the offer. We are making this offer to increase ownership of our majority-owned subsidiary American Independence Corp. If we acquire all 1,452,935 shares we are seeking, we (including our wholly owned subsidiary, Madison Investors Corporation) will own approximately 80% of the issued and outstanding shares of American Independence Corp. stock. We believe that if we acquire greater ownership of American Independence Corp., we could further consolidate our financial results with those of American Independence Corp., thereby improving our financial presentation. Increased ownership would also enhance our ability to provide additional management focus on American Independence Corp., which would permit American Independence Corp. to grow its business more rapidly and thereby benefit IHC as an American Independence Corp. stockholder. We believe that American Independence Corp. stockholders who tender their shares will also enjoy increased liquidity in the marketplace. We also believe that the offer will not adversely affect the tax position of American Independence Corp. See “Business of American Independence Corp.—Federal Net Operating Loss Carryforwards” on page [INSERT PAGE NUMBER].

Following the consummation of the offer, Independence Holding Company may, from time to time, acquire additional shares of American Independence Corp. common stock through open market purchases, individual negotiated transactions or otherwise, dispose of shares of American Independence Corp. common stock or formulate other purposes, plans or proposals regarding American Independence Corp. or the American Independence Corp. common stock, to the extent deemed advisable in light of its general investment policies, market conditions or other factors.

Ownership of Independence Holding Company After the Offer

Based on the exchange ratio for the offer, Independence Holding Company estimates that if the maximum 1,452,935 American Independence Corp. shares are exchanged pursuant to the offer, former American Independence Corp. stockholders would own, in the aggregate, approximately 5.7% of the outstanding shares of Independence Holding Company common stock, in addition to their current holdings, if any. For a detailed discussion of the assumptions on which this estimate is based, see “The Offer—Ownership of Independence Holding Company After the Offer.”

Conditions of the Offer

Independence Holding Company’s obligation to exchange shares of Independence Holding Company common stock for shares of American Independence Corp. common stock pursuant to the offer is subject to several conditions referred to below under “The Offer—Conditions of the Offer,” including the registration statement condition and the listing condition. Independence Holding Company’s offer is not conditioned on any minimum number of shares being tendered.

Expiration Date of the Offer

The offer is scheduled to expire at 5:00 p.m., New York City time, on August 12, 2011, unless extended by Independence Holding Company. For more information, you should read the discussion below under the caption “The Offer—Extension, Termination and Amendment.”

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Extension, Termination and Amendment

To the extent legally permissible, Independence Holding Company reserves the right, in its sole discretion, at any time or from time to time:

- to extend, for any reason, the period of time during which the offer is open;
- to delay acceptance for exchange of, or exchange of, any shares of American Independence Corp. common stock pursuant to the offer in order to comply in whole or in part with applicable law;
- to terminate the offer and not accept or exchange any shares of American Independence Corp. common stock not previously accepted or exchanged, upon the failure of any of the conditions of the offer to be satisfied prior to the expiration date; and
- to waive any condition or otherwise amend the offer in any respect.

In addition, even if Independence Holding Company has accepted for exchange, but not exchanged, shares in the offer, it may terminate the offer and not exchange shares of American Independence Corp. common stock that were previously tendered if completion of the offer is illegal or if a governmental authority has commenced or threatened legal action related to the offer. However, Independence Holding Company may not assert a non-regulatory condition after the expiration of the offer.

Procedure for Tendering Shares

The procedure for tendering shares of American Independence Corp. common stock varies depending on whether you possess physical certificates or a nominee holds your certificates for you and on whether or not you hold your securities in book-entry form. Independence Holding Company urges you to read the section captioned “The Offer—Procedure for Tendering” as well as the accompanying letter of transmittal.

Withdrawal Rights

You can withdraw tendered shares at any time until the offer has expired and, if Independence Holding Company has not agreed to accept your shares for exchange by the expiration date, you can withdraw them at any time after that date until it accepts shares for exchange.

Exchange of Shares of American Independence Corp. Common Stock; Delivery of Shares of Independence Holding Company Common Stock

Upon the terms and subject to the conditions of the offer (including, if the offer is extended or amended, the terms and conditions of any such extension or amendment), Independence Holding Company will accept for exchange, and will exchange for Independence Holding Company common stock, up to 1,452,935 shares of American Independence Corp. common stock validly tendered and not properly withdrawn promptly after the expiration date.

Cash Instead of Fractional Shares of Independence Holding Company Common Stock

Independence Holding Company will not issue certificates representing fractional shares of Independence Holding Company common stock pursuant to the offer. Instead, each tendering stockholder who would otherwise be entitled to a fractional share of Independence Holding Company common stock will receive cash in an amount equal to such fraction (expressed as a decimal and rounded to the nearest 0.01 of a share) multiplied by the average of the closing

prices, rounded to four decimal points, of Independence Holding Company common stock for the 15 consecutive trading day period ending on the third trading day before the expiration date.

Regulatory Approvals

Independence Holding Company is not aware of any material filings that will be required or advisable with any regulatory authorities in connection with the proposed transaction.

Comparison of Stockholders' Rights

You will receive Independence Holding Company common stock if you tender your shares of American Independence Corp. common stock in the offer. There are a number of differences between the rights of a stockholder of American Independence Corp. and the rights of a stockholder of Independence Holding Company. Independence Holding Company urges you to review the discussion in the section captioned "Comparison of Stockholders' Rights."

Description of Independence Holding Company Common Stock

Voting and Meetings of Stockholders

All shares of common stock have equal non-cumulative voting rights of one vote per share. Special meetings of stockholders may be called by the board of directors of the Company, the chairman of the board of directors, the executive committee of the board of directors or the president of the Company. A special meeting must be called upon receipt by any of them or the secretary of the Company of a written request signed by the holders of record of a majority of the shares of stock that would be entitled to vote on the matter or matters specified in the request if the meeting were held on the date the request is received and the record date were the preceding day. Except as required by law, the holders of record of a majority of the shares of stock entitled to be voted at a meeting constitutes a quorum for the transaction of business at a meeting. Directors are elected by plurality vote. Each matter, other than election of directors, is decided by a majority of votes cast. Any action that may be taken at a meeting may be taken without a meeting, without prior notice and without a vote, if a consent in writing is signed by the holders of outstanding stock having not less than the minimum number of votes that would be required to take the action at a meeting at which all shares entitled to vote on the matter were present and voted.

Dividends and Distributions

Subject to the provisions of any series of preferred stock that may at the time be outstanding, the holders of shares of common stock are entitled to receive such dividends as may be declared from time to time by the board of directors. In the event of the liquidation of the Company, or upon distribution of our assets, after the payment in full of such preferential amounts to which any holders of preferred stock may be entitled, the remaining assets of the Company available for distribution to stockholders will be distributed ratably among the holders of the outstanding shares of common stock, subject to any participating or similar rights of holders of preferred stock. Holders of the common stock have no conversion, preemptive, exchange, preference or redemption rights.

Directors

The number of directors constituting the board is determined by the vote of a majority of the board. The board of directors is not classified. Directors elected at an annual meeting serve until the next annual meeting and until their successors are elected and qualified. Vacancies and newly created directorships may be filled by a majority of directors then in office. Directors need not be stockholders of the Company. Any director may be removed, with or without cause, by the vote or written consent of the holders of a majority of shares entitled to vote in the election of directors. To the fullest extent permitted by Delaware law, a director of the Company is not liable to the Company or our stockholders for monetary damages for breach of fiduciary duties. This does not include breach of a director's duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, liability under Section 174 of the Delaware General Corporation Law or a transaction in which a director derived an improper personal benefit.

Preferred Stock

The board of directors of the Company is authorized at any time to provide for the issuance of shares of preferred stock to the extent of the shares of preferred stock authorized in the Company's charter. The preferred stock may be issued in one or more series and with such voting powers, full or limited, or without voting powers, and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions, as stated in the resolution or resolutions providing for the issue of such preferred stock adopted by the board of directors.

Delaware Section 203

The Company is subject to the provisions of Section 203 of the Delaware General Corporation Law. Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years after the person became an interested stockholder, unless the transaction in which the interested stockholder became such was approved in advance by the board of directors of the corporation or the business combination is approved by stockholders in a specified manner. A “business combination” includes mergers, assets sales and certain other transactions involving the corporation resulting in a disproportionate benefit to the interested stockholder. An “interested stockholder” is a person who, together with its affiliates and associates, owns beneficially, or owned beneficially within the prior three years, 15% or more of the corporation’s voting stock.

Risk Factors

Independence Holding Company’s business and the offer are subject to several risks. In deciding whether to tender your shares of American Independence Corp. common stock pursuant to the offer, you should carefully read and consider the risk factors contained in the section captioned “Risk Factors.”

FORWARD-LOOKING STATEMENTS

This prospectus contains “forward-looking statements.” Specific forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts and include, without limitation, words such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” “seeks,” “could” or the negative terms or other variations on such terms or comparable terminology. Similarly, statements that describe Independence Holding Company’s objectives, plans or goals are forward-looking. Independence Holding Company’s forward-looking statements are based on management’s current intent, belief, expectations, estimates and projections regarding Independence Holding Company and its industry. These statements are not guarantees of future performance and involve risks, uncertainties, assumptions and other factors that are difficult to predict, including those discussed below. Therefore, actual results may vary materially from what is expressed in or indicated by the forward-looking statements. Readers of this prospectus are cautioned not to place undue reliance on forward-looking statements since, while Independence Holding Company believes the assumptions on which the forward-looking statements are based are reasonable, there can be no assurance that these forward-looking statements will prove to be accurate. This cautionary statement is applicable to all forward-looking statements contained in this prospectus and the material accompanying this prospectus.

RISK FACTORS

Risk Factors Relating to the Offer

The exchange ratio for the offer is fixed and will not be adjusted. Because the market price of shares of Independence Holding Company common stock may fluctuate, American Independence Corp. stockholders cannot be sure of the market value of the shares of Independence Holding Company common stock that they will receive in the offer.

Subject to the terms and conditions of the offer, each outstanding share of American Independence Corp. common stock that is accepted for exchange pursuant to the offer will be exchanged for 0.625 shares of Independence Holding Company common stock. This exchange ratio is fixed and will not be adjusted in case of any increases or decreases in the price of Independence Holding Company common stock or American Independence Corp. common stock. If the price of Independence Holding Company common stock declines (which may occur as a result of a number of reasons (many of which are out of Independence Holding Company's control), including as a result of the risks described in this "Risk Factors" section), American Independence Corp. stockholders will receive less value for their shares in the offer than the value calculated pursuant to the exchange ratio on the last full trading day before Independence Holding Company announced the commencement of this offer. Because the offer may not be completed until specified conditions have been satisfied or waived (please see the section of this prospectus entitled "The Offer — Conditions of the Offer"), a significant period of time may pass between the commencement of the offer and the time that Independence Holding Company accepts shares of American Independence Corp. common stock for exchange. Therefore, at the time you tender your shares pursuant to the offer, you will not know the exact market value of the shares of Independence Holding Company common stock that will be issued to you if Independence Holding Company accepts your shares for exchange. American Independence Corp. stockholders are urged to obtain current market quotations for Independence Holding Company and American Independence Corp. common stock when they consider whether to tender their shares of American Independence Corp. common stock pursuant to the offer.

The information regarding American Independence Corp. included in, or omitted from, this prospectus has been obtained from its public filings, which Independence Holding Company did not prepare.

In respect of all information relating to American Independence Corp. presented in or omitted from this prospectus, Independence Holding Company has relied upon publicly available information, including information publicly filed by American Independence Corp. with the SEC. Although Independence Holding Company has no knowledge that would indicate that any statements contained herein regarding American Independence Corp.'s condition, including its financial or operating condition, based upon such publicly filed reports and documents, are inaccurate, incomplete or untrue, Independence Holding Company was not involved in the preparation of such reports and documents.

The market price of Independence Holding Company common stock may decline as a result of the offer.

The market price of Independence Holding Company's common stock may decline as a result of the offer. In particular, Independence Holding Company may issue up to 908,085 shares of Independence Holding Company common stock pursuant to the offer. The increase in the number of shares of Independence Holding Company common stock issued may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market for, and the market price of, Independence Holding Company common stock.

Independence Holding Company will determine, in its reasonable discretion, whether or not the conditions to the offer have been satisfied, and the conditions to the offer are for Independence Holding Company's sole benefit.

The satisfaction or existence of any of the conditions to the offer will be determined by Independence Holding Company in its reasonable discretion. These conditions are for the sole benefit of Independence Holding Company

and its affiliates and may be asserted by Independence Holding Company in its reasonable discretion regardless of the circumstances giving rise to any of these conditions or may be waived (to the extent legally permissible) by Independence Holding Company in its reasonable discretion in whole or in part at any time or from time to time before the expiration date, although all conditions to the offer must be satisfied or waived prior to the expiration of the offer. Independence Holding Company may terminate the offer if any of the conditions to the offer are not satisfied prior to the expiration date, as determined by Independence Holding Company in its reasonable discretion. Independence Holding Company also may amend the terms and conditions of the offer.

The receipt of Independence Holding Company common stock in exchange for American Independence Corp. common stock in the offer is expected to be a taxable transaction for U.S. federal income tax purposes.

A stockholder who exchanges American Independence Corp. common stock for Independence Holding Company common stock pursuant to the offer will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the fair market value on the date of acceptance for exchange pursuant to the offer of the Independence Holding Company common stock and cash in lieu of fractional shares received and the holder's adjusted tax basis in the American Independence Corp. common stock exchanged pursuant to the offer. Stockholders who recognize gain for U.S. federal income tax purposes may need or desire to sell a portion of the Independence Holding Company common stock they receive in the offer to satisfy the associated tax liability. Because tax matters are complicated, Independence Holding Company urges you to contact your tax advisor to determine the particular tax consequences to you of the offer.

Upon your receipt of shares of Independence Holding Company common stock in the offer, you will become a stockholder in Independence Holding Company, which may change some of the rights and privileges you hold as a stockholder of American Independence Corp.

Independence Holding Company is a Delaware corporation governed by the Delaware General Corporation Law, or the "DGCL," and by its articles of incorporation and bylaws. American Independence Corp. is also a Delaware corporation governed by the DGCL and by its certificate of incorporation and bylaws. Upon your receipt of shares of Independence Holding Company common stock in the offer, you will become a stockholder in Independence Holding Company, which may adversely affect some of the rights and privileges you hold as a stockholder of American Independence Corp. For a detailed discussion of the rights of Independence Holding Company stockholders versus the rights of American Independence Corp. stockholders, see the section captioned "Comparison of Stockholders' Rights."

Risk Factors Relating to Independence Holding Company's Business

The risks and uncertainties described below are not the only ones that we face, but are those that we have identified as being the most significant factors that make investment in our stock speculative or risky or that have special application to us. Additional risks and uncertainties that we do not know about, or that we deem less significant than those identified below, may also make investment in our stock speculative or risky. If any of the adverse events associated with the risks described below occurs, our business, financial condition or results of operations could be materially adversely affected. In such a case, the trading price of our stock could decline.

Federal healthcare reform and financial reform may adversely affect our business, cash flows, financial condition and results of operations.

The Patient Protection and Affordable Care Act ("PPACA") was signed into law by President Obama during March 2010. PPACA requires us, for certain products in certain lines of business, to increase benefits, to limit rescission to cases of intentional fraud and, eventually, to insure pre-existing conditions, among other things. If, for those products, our actual loss ratios fall short of required minimum loss ratios (by state and legal entity, subject to certain adjustments), we will be required to rebate the difference to consumers. We have made, and are continuing to make, significant changes to our operations, products and strategy to adapt to the new environment. If our plans for operating in the new environment are unsuccessful or if there is less demand than we expect for our products in the new environment, our results could be adversely affected.

Additionally, in July 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which implements comprehensive changes to the regulation of financial services in the U.S. Among other things, the Dodd-Frank Act created the Consumer Financial Protection Bureau (“CFPB”). While the CFPB does not have direct jurisdiction over insurance products, it is possible that regulations promulgated by the CFPB may extend its authority more broadly to cover certain insurance products and thereby may adversely affect our results of operations.

Our investment portfolio is subject to various risks that may result in realized investment losses. In particular, decreases in the fair value of fixed maturities may greatly reduce the value of our investments, and as a result, our financial condition may suffer.

We are subject to credit risk in our investment portfolio. Defaults by third parties in the payment or performance of their obligations under these securities could reduce our investment income and realized investment gains or result in the continued recognition of investment losses. The value of our investments may be materially adversely affected by increases in interest rates, downgrades in the preferred stocks and bonds included in our portfolio and by other factors that may result in the continued recognition of other-than-temporary impairments. Each of these events may cause us to reduce the carrying value of our investment portfolio.

In particular, at December 31, 2010, fixed maturities represented \$793.7 million or 86.3% of our total investments of \$919.7 million. The fair value of fixed maturities and the related investment income fluctuates depending on general economic and market conditions. The fair value of these investments generally increases or decreases in an inverse relationship with fluctuations in interest rates, while net investment income realized by us will generally increase or decrease in line with changes in market interest rates. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations. An investment has prepayment risk when there is a risk that the timing of cash flows that result from the repayment of principal might occur earlier than anticipated because of declining interest rates or later than anticipated because of rising interest rates. The impact of value fluctuations affects our Consolidated Financial Statements. Because all of our fixed maturities are classified as available for sale, changes in the fair value of our securities are reflected in our stockholders’ equity (accumulated other comprehensive income or loss). No similar adjustment is made for liabilities to reflect a change in interest rates. Therefore, interest rate fluctuations and economic conditions could adversely affect our stockholders’ equity, total comprehensive income and/or cash flows. For mortgage-backed securities, credit risk exists if mortgagees default on the underlying mortgages. Although at December 31, 2010, approximately 96.0% of the fixed maturities were investment grade and continue to be rated on average AA, all of our fixed maturities are subject to credit risk. If any of the issuers of our fixed maturities suffer financial setbacks, the ratings on the fixed maturities could fall (with a concurrent fall in fair value) and, in a worst case scenario, the issuer could default on its financial obligations. If the issuer defaults, we could have realized losses associated with the impairment of the securities.

We regularly monitor our investment portfolio to ensure that investments that are other-than-temporarily impaired are identified in a timely fashion, properly valued and any impairment is charged against earnings in the proper period. Assessment factors include, but are not limited to, the length of time and the extent to which the market value has been less than cost, the financial condition and rating of the issuer, whether any collateral is held and the Company’s intent to sell, or be required to sell, debt securities before the anticipated recovery of its remaining amortized cost basis. However, the determination that a security has incurred an other-than-temporary decline in value requires the judgment of management. Inherently, there are risks and uncertainties involved in making these judgments. Therefore, changes in facts and circumstances and critical assumptions could result in management’s decision that further impairments have occurred. This could lead to additional losses on investments, particularly those that management has the intent and ability to hold until recovery in value occurs.

Our earnings could be materially affected by an impairment of goodwill.

Goodwill represented \$51.7 million of our \$1.4 billion in total assets as of December 31, 2010. We review our goodwill annually for impairment or more frequently if indicators of impairment exist. We regularly assess whether any indicators of impairment exist, which requires a significant amount of judgment. Such indicators may include: a sustained significant decline in our share price and market capitalization; a decline in our expected future cash flows; a significant adverse change in the business climate; and/or slower growth rates, among others. Any adverse change in one of these factors could have a significant impact on the recoverability of these assets and could have a material impact on our consolidated financial statements. If we experience a sustained decline in our results of operations and cash flows, or other indicators of impairment exist, we may incur a material non-cash charge to earnings relating to impairment of our goodwill, which could have a material adverse effect on our results.

Changes in state regulations, or the application thereof, may adversely affect our business, financial condition and results of operations.

A number of states are contemplating significant reform of their health insurance markets. These proposals include provisions affecting both public programs and privately financed health insurance arrangements. We cannot assure you that, if enacted into law, any of these proposals would not have a material, adverse effect on our business, results of operations or financial condition.

Less-fundamental change in the regulatory requirements imposed on us may also harm our business or results of operations. For example, some states have imposed time limits for the payment of uncontested covered claims and required health care and dental service plans to pay interest on uncontested claims not paid promptly within the required time period. Some states have also granted their insurance regulatory agencies additional authority to impose monetary penalties and other sanctions on health and dental plans engaging in certain unfair payment practices. If we were unable, for any reason, to comply with these requirements, it could result in substantial costs to us and could materially adversely affect our results of operations and financial condition.

If rating agencies downgrade our insurance companies, our results of operations and competitive position in the industry may suffer.

Ratings have become an increasingly important factor in establishing the competitive position of insurance companies. Standard Security Life and Madison National Life are both rated "A-" (Excellent) by A.M. Best Company, Inc. Best's ratings reflect its opinions of an insurance company's financial strength, operating performance, strategic position, and ability to meet its obligations to policyholders and are not evaluations directed to investors. The ratings of Standard Security Life and Madison National Life are subject to periodic review by Best. If Best reduces either or both Madison National Life's or Standard Security Life's ratings from its current levels, our business would be adversely affected.

Our loss reserves are based on an estimate of our future liability, and if actual claims prove to be greater than our reserves, our results of operations and financial condition may be adversely affected.

We maintain loss reserves to cover our estimated liability for unpaid losses and loss adjustment expenses, where material, including legal and other fees, and costs not associated with specific claims but related to the claims payment functions for reported and unreported claims incurred as of the end of each accounting period. Because setting reserves is inherently uncertain, we cannot be sure that current reserves will prove adequate. If our reserves are insufficient to cover our actual losses and loss adjustment expenses, we would have to augment our reserves and incur a charge to our earnings, and these charges could be material. Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what we expect the ultimate settlement and administration of claims will cost. These estimates, which generally involve actuarial projections, are based on our assessment of known facts and circumstances. 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. Many of these items are not directly quantifiable in advance. Additionally, there may be a significant reporting lag between the occurrence of the insured event and the time it is reported to us. The inherent uncertainties of estimating reserves are greater for certain types of liabilities, particularly those in which the various considerations affecting the type of claim are subject to change and in which long periods of time may elapse before a definitive determination of liability is made. Reserve estimates are continually refined in a regular and ongoing process as experience develops and further claims are reported and settled and are reflected in the results of the periods in which such estimates are changed.

Our results may fluctuate as a result of factors generally affecting the insurance and reinsurance industry.

The results of companies in the insurance and reinsurance industry historically have been subject to significant fluctuations and uncertainties. Factors that affect the industry in general could also cause our results to fluctuate. The industry and our financial condition and results of operations may be affected significantly by:

- Fluctuations in interest rates, inflationary pressures and other changes in the investment environment, which affect returns on invested capital;
 - Rising levels of actual costs that are not known by companies at the time they price their products;
 - Losses related to epidemics, terrorist activities, random acts of violence or declared or undeclared war;
- Changes in reserves resulting from different types of claims that may arise and the development of judicial interpretations relating to the scope of insurers' liability;
 - The overall level of economic activity and the competitive environment in the industry;
 - Greater than expected use of health care services by members;
- New mandated benefits or other regulatory changes that change the scope of business or increase our costs; and
 - Failure of MGUs to adhere to underwriting guidelines as required by us in their MGU agreements.

The occurrence of any or a combination of these factors, which is beyond our control, could have a material adverse effect on our results.

Our inability to assess underwriting risk accurately could reduce our net income.

Our success is dependent on our ability to assess accurately the risks associated with the businesses on which we retain risk. If we fail to assess accurately the risks we retain, we may fail to establish the appropriate premium rates and our reserves may be inadequate to cover our losses, requiring augmentation of the reserves, which in turn would reduce our net income.

Our agreements with our producers (including our MGUs) require that each producer follow underwriting guidelines published by us and amended from time to time. Failure to follow these guidelines may result in termination or modification of the agreement. We perform periodic audits to confirm adherence to the guidelines, but it is possible that we would not detect a breach in the guidelines for some time after the infraction, which could result in a material impact on the Net Loss Ratio (defined as insurance benefits, claims and reserves divided by (premiums earned less underwriting expenses)) for that producer and could have an adverse impact on our operating results.

If we fail to comply with extensive state and federal regulations, we will be subject to penalties, which may include fines and suspension and which may adversely affect our results of operations and financial condition.

We are subject to extensive governmental regulation and supervision. Most insurance regulations are designed to protect the interests of policyholders rather than stockholders and other investors. This regulation, generally administered by a department of insurance in each state in which we do business, relates to, among other things:

- Approval of policy forms and premium rates;
- Standards of solvency, including risk-based capital measurements, which are a measure developed by the National Association of Insurance Commissioners and used by state insurance regulators to identify insurance companies that potentially are inadequately capitalized;
 - Licensing of insurers and their agents and regulation of their conduct in the market;
 - Restrictions on the nature, quality and concentration of investments;
 - Restrictions on transactions between insurance companies and their affiliates;

- Restrictions on the size of risks insurable under a single policy;
- Requiring deposits for the benefit of policyholders;
- Requiring certain methods of accounting;
- Prescribing the form and content of records of financial condition required to be filed; and
- Requiring reserves for unearned premium, losses and other purposes.

State insurance departments also conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to the financial condition of insurance companies, holding company issues and other matters.

A large portion of our business depends on our compliance with applicable laws and regulations and our ability to maintain valid licenses and approvals for our operations. Regulatory authorities have broad discretion to grant, renew, or revoke licenses and approvals. Regulatory authorities may deny or revoke licenses for various reasons, including the violation of regulations. In some instances, we follow practices based on our interpretations of regulations, or interpretations that we believe to be generally followed by the industry, which may be different from the requirements or interpretations of regulatory authorities. If we do not have the requisite licenses and approvals and do not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our insurance-related activities or otherwise penalize us. That type of action could have a material adverse effect on our business. Also, changes in the level of regulation of the insurance industry (whether federal, state or foreign), or changes in laws or regulations themselves or interpretations by regulatory authorities, could have a material adverse effect on our business.

We may be unsuccessful in competing against larger or better-established business rivals.

We compete with a large number of other companies in our selected lines of business. We face competition from specialty insurance companies and HMOs, and from diversified financial services companies and insurance companies that are much larger than we are and that have far greater financial, marketing and other resources. Some of these competitors also have longer experience and more market recognition than we do in certain lines of business. In addition to competition in the operation of our business, we face competition from a variety of sources in attracting and retaining qualified employees. We cannot assure you that we will maintain our current competitive position in the markets in which we operate, or that we will be able to expand operations into new markets. If we fail to do so, our results of operations and cash flows could be materially adversely affected.

We rely on reinsurance arrangements to help manage our business risks, and failure to perform by the counterparties to our reinsurance arrangements may expose us to risks we had sought to mitigate.

We utilize reinsurance to mitigate our risks in various circumstances. Reinsurance does not relieve us of our direct liability to our policyholders, even when the reinsurer is liable to us. Accordingly, we bear credit risk with respect to our reinsurers. Our reinsurers may be unable or unwilling to pay the reinsurance recoverable owed to us now or in the future or on a timely basis. A reinsurer's insolvency, inability or unwillingness to make payments under the terms of its reinsurance agreement with us could have an adverse effect on our financial condition, results of operations and cash flows.

We may be required to accelerate the amortization of deferred acquisition costs, which would increase our expenses and reduce profitability.

Deferred acquisition costs, or DAC, represent certain costs which vary with and are primarily related to the sale and issuance of our insurance policies and investment contracts and are deferred and amortized over the estimated life of the related insurance policies and contracts. These costs include commissions in excess of ultimate renewal

commissions and certain other sales incentives, solicitation and printing costs, sales material and other costs, such as underwriting and contract and policy issuance expenses. Under U.S. generally accepted accounting principles (“GAAP”), DAC is amortized through operations over the lives of the underlying contracts in relation to the anticipated recognition of premiums or gross profits.

Our amortization of DAC generally depends upon anticipated profits from investments, surrender and other policy and contract charges, mortality, morbidity and maintenance and expense margins. Unfavorable experience with regard to expected expenses, investment returns, mortality, morbidity, withdrawals or lapses may cause us to increase the amortization of DAC, resulting in higher expenses and lower profitability.

We regularly review our DAC asset balance to determine if it is recoverable from future income. The portion of the DAC balance deemed to be unrecoverable, if any, is charged to expense in the period in which we make this determination. For example, if we determine that we are unable to recover DAC from profits over the life of a book of business of insurance policies or annuity contracts, or if withdrawals or surrender charges associated with early withdrawals do not fully offset the unamortized acquisition costs related to those policies or annuities, we would be required to recognize the additional DAC amortization as a current-period expense. In general, we limit our deferral of acquisition costs to costs assumed in our pricing assumptions.

The failure to maintain effective and efficient information systems could adversely affect our business.

Our business depends significantly on effective information systems, and we have different information systems for our various businesses. We have committed and will continue to commit significant resources to develop, maintain and enhance our existing information systems and develop new information systems in order to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards and changing customer preferences. Our failure to maintain effective and efficient information systems could have a material adverse effect on our financial condition and results of operations.

Failure to protect our policyholders' confidential information and privacy could adversely affect our business.

In the conduct of our business, we are subject to privacy regulations and to confidentiality obligations. For example, the collection and use of patient data in our health insurance operations is the subject of national and state legislation, including the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and certain other activities we conduct are subject to the privacy regulations of the Gramm-Leach-Bliley Act. We also have contractual obligations to protect certain confidential information we obtain from our existing vendors, partners and policyholders. These obligations generally include protecting such confidential information in the same manner and to the same extent as we protect our own confidential information. If we do not properly comply with privacy regulations and protect confidential information, we could experience adverse consequences, including regulatory sanctions, such as penalties, fines and loss of license, as well as loss of reputation and possible litigation.

COMPARATIVE MARKET PRICE DATA

Independence Holding Company's common stock is traded on the New York Stock Exchange ("NYSE") under the symbol "IHC." Shares of American Independence Corp. common stock are traded on the NASDAQ Stock Exchange under the symbol "AMIC."

As reported on the NYSE and the NASDAQ Stock Exchange, the following table sets forth historical closing prices per share for shares of Independence Holding Company common stock and shares of American Independence Corp. common stock, respectively, on July 12, 2011, the last full trading day before Independence Holding Company filed this prospectus. The table below illustrates the number of shares and per share value of Independence Holding Company common stock you would receive based on these closing prices and the exchange ratio for the offer.

	Independence Holding Company Common Stock	American Independence Corp. Common Stock	Shares of Independence Holding Company Common Stock to be Received	Per Share Value of Independence Holding Company Common Stock to be Received
July 12, 2011	\$ 10.49	\$ 5.90	908,085	\$ 6.56

The value of the offer will change as the market prices of Independence Holding Company common stock and American Independence Corp. common stock fluctuate during the offer period and thereafter, and may therefore be different from the prices set forth above at the expiration of the offer period and at the time you receive your shares of Independence Holding Company common stock. **YOU ARE ENCOURAGED TO OBTAIN CURRENT MARKET QUOTATIONS PRIOR TO MAKING ANY DECISION WITH RESPECT TO THE OFFER.**

COMPARATIVE HISTORICAL PER SHARE DATA

The tables set forth below show basic and diluted income per share for continuing operations and net income attributable to IHC, cash dividends per share and book value per share for each of Independence Holding Company for its fiscal year ended December 31, 2010 and for American Independence Corp. for its fiscal year ended December 31, 2010.

You should read the information presented in this table below together with the historical financial statements of Independence Holding Company and the related notes, the historical financial statements of American Independence Corp. and the related notes, which are included in this prospectus.

	Year Ended December 31, 2010
Independence Holding Company historical data	
Basic income per common share:	
Income from continuing operations	\$ 1.44
Net income attributable to IHC shareholders	\$ 1.42
Diluted income per common share:	
Income from continuing operations	\$ 1.44
Net income attributable to IHC shareholders	\$ 1.42
Cash dividends declared per share	\$ 0.05
Book value per share (period end)	\$ 15.14
	Year Ended December 31, 2010
American Independence Corp. historical data	
Basic income per common share:	
Income from continuing operations	\$ 0.25
Net income attributable to AMIC shareholders	\$ 0.25
Diluted income per common share:	
Income from continuing operations	\$ 0.25
Net income attributable to AMIC shareholders	\$ 0.25
Cash dividends declared per share	\$ -
Book value per share (period end)	\$ 10.82

SELECTED FINANCIAL DATA OF INDEPENDENCE HOLDING COMPANY

The following is a summary of selected consolidated financial data of the Company for the three months ended March 31, 2011 and 2010 and for each of the last five years excluding the credit life and disability segment, which is included in discontinued operations.

	Three Months Ended March 31, (unaudited)		Years Ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
(In thousands, except per share data)							
Income Data:							
Total revenues	\$ 104,319	\$ 116,350	\$ 435,368	\$ 354,838	\$ 353,687	\$ 402,322	\$ 342,262
Income (loss) from continuing operations							
Net income (loss)	3,800	16,377	23,669	(7,433)	(24,578)	1,565	14,896
Net income (loss) attributable to IHC							
	3,184	16,034	21,737	(7,122)	(23,840)	(2,328)	14,061
Balance Sheet Data (period end):							
Total investments	898,701	868,432	919,727	831,081	761,093	776,059	859,176
Total assets	1,341,097	1,355,556	1,361,792	1,304,476	1,273,894	1,306,955	1,267,643
Insurance liabilities							
	922,436	945,565	920,581	927,212	951,590	895,169	858,880
Debt and junior subordinated debt securities							
	45,646	47,146	45,646	47,146	48,146	50,646	53,146
IHC stockholders' equity							
	239,176	222,346	230,628	202,967	162,702	222,851	231,150
Noncontrolling interests							
	23,580	28,583	29,646	540	248	390	720
Per Share Data:							
Cash dividends declared per common share							
	-	-	.05	.05	.05	.05	.05
Basic income (loss) per common share from continuing operations							
	.21	1.06	1.44	(.48)	(1.59)	.10	.97
Diluted income (loss) per common share from continuing operations							
	.21	1.05	1.44	(.48)	(1.59)	.10	.95
	15.11	14.55	15.14	13.16	10.56	14.63	15.23

Book value per
common share
(period end)

The Selected Financial Data of the Company should be read in conjunction with the accompanying Consolidated Financial Statements and Notes thereto included in this prospectus.

SELECTED FINANCIAL DATA OF AMERICAN INDEPENDENCE CORP.

The following is a summary of selected consolidated financial data of American Independence Corp. for the three months ended March 31, 2011 and 2010 and for each of the last five years.

	Three Months Ended March 31, (unaudited)		Years Ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
(In thousands, except per share data)							
Income Data:							
Total revenues	\$ 21,722	\$ 22,844	\$ 89,404	\$ 104,247	\$ 113,312	\$ 119,096	\$ 81,485
Income from continuing operations	1,057	1,034	2,982	3,166	1,511	1,353	1,770
Net income (loss)	1,057	1,034	2,982	3,166	1,436	1,353	1,716
Net income (loss) attributable to AMIC	937	843	2,099	2,612	965	1,138	1,454
Balance Sheet Data (period end):							
Total investments	64,959	57,603	64,449	57,630	52,847	60,148	56,206
Total assets	133,969	132,530	133,349	134,382	130,625	142,115	134,760
Insurance liabilities	29,140	30,818	29,192	34,807	39,740	47,512	40,150
AMIC stockholders' equity	92,953	90,275	92,060	88,973	82,932	84,677	83,084
Noncontrolling interests	14	194	117	286	429	52	39
Per Share Data:							
Basic income per common share from continuing operations	.11	.10	.25	.31	.12	.13	.18
Diluted income per common share from continuing operations	.11	.10	.25	.31	.12	.13	.18
Book value per common share (period end)	10.92	10.61	10.82	10.46	9.75	9.96	9.82

The Selected Financial Data of American Independence Corp. should be read in conjunction with the accompanying Consolidated Financial Statements and Notes thereto included in this prospectus.

HISTORICAL AND PRO FORMA RATIO OF EARNINGS TO FIXED CHARGES

The following table shows Independence Holding Company's historical ratio of earnings to fixed charges for the three months ended March 31, 2011 and for the two fiscal years ended December 31, 2010 and 2009, and the pro forma ratio of earnings to fixed charges for the three months ended March 31, 2011 and for the fiscal year ended December 31, 2010.

	Actual		Pro Forma		
	Three Months Ended March 31, 2011	Years Ended December 31, 2010	Years Ended December 31, 2009	Three Months Ended March 31, 2011	Year Ended December 31, 2010
Ratio of earnings to fixed charges	1.54	x 18.22	x (6.61))x \$2.07x	\$18.98x

HISTORICAL AND PRO FORMA PER SHARE INFORMATION

The table set forth below shows actual and pro forma income from continuing operations per share, net income per share, dividends per common share and book value per share for Independence Holding Company and American Independence Corp. for the three months ended March 31, 2011 and for the fiscal year ended December 31, 2010.

	Three Months Ended March 31, 2011			
	Independence Holding Company		American Independence Corp.	
	Actual	Pro Forma	Actual	Equivalent Pro Forma(1)
Basic income per common share:				
Income from continuing operations	\$0.21	\$0.07	\$0.11	\$0.04
Net income attributable to common shareholders	0.21	0.07	0.11	0.04
Diluted income per common share:				
Income from continuing operations	0.21	0.07	0.11	0.04
Net income attributable to common shareholders	0.21	0.07	0.11	0.04
Dividends per common share	-	-	-	-
Book value per common share (period end)	15.11	14.81	10.92	9.26
	Year Ended December 31, 2010			
	Independence Holding Company		American Independence Corp.	
	Actual	Pro Forma	Actual	Equivalent Pro Forma(1)
Basic income per common share:				
Income from continuing operations	\$1.44	\$1.50	\$0.25	\$0.94
Net income attributable to common shareholders	1.42	1.48	0.25	0.93
Diluted income per common share:				
Income from continuing operations	1.44	1.50	0.25	0.94
Net income attributable to common shareholders	1.42	1.48	0.25	0.93
Dividends per common share	0.05	0.05	-	0.03

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Book value per common share (period end)	15.14	14.28	10.82	8.93
(1) Based on the exchange ratio of 1.6 shares of AMIC common stock for each share of IHC common stock.				

SUMMARY SELECTED UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

For illustrative purposes only, presented below is summary selected unaudited pro forma financial information that is intended to provide you with a better picture of what the financial results might have looked like had Independence Holding Company acquired 80% of American Independence Corp. on January 1, 2010. The unaudited pro forma condensed consolidated balance sheet and the unaudited pro forma condensed consolidated statements of operations combine information from the historical condensed consolidated balance sheets and statements of operations of Independence Holding Company and American Independence Corp as of and for the three months ended March 31, 2011 and, the year ended December 31, 2010, giving effect to the offer as if it had occurred on January 1, 2010.

The summary selected unaudited pro forma financial information has been presented for informational purposes only. The pro forma information is not necessarily indicative of what Independence Holding Company's financial position or results of operations actually would have been had the offer been completed as of the dates indicated. In addition, the summary selected unaudited pro forma financial information does not purport to project the future financial position or operating results of Independence Holding Company. American Independence Corp. has not participated in the preparation of the summary selected unaudited pro forma consolidated financial information or this prospectus/offer to exchange, and has not reviewed or verified the information, assumptions or estimates relating to American Independence Corp in the unaudited pro forma condensed consolidated financial information.

March 31, 2011

Pro Forma Balance Sheet:

(In thousands, except per share data)

Assets	\$	1,341,097
Liabilities	\$	1,078,341
IHC stockholders' equity		247,885
Noncontrolling interests		14,871
Total equity		262,756
Total Liabilities and Stockholders' equity	\$	1,341,097
Book value per share	\$	14.81

	Three Months Ended March 31, 2011	Twelve Months Ended December 31, 2010
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Pro Forma Statements of Operations:

(In thousands, except per share data)

Total revenues	\$	104,319	\$	448,968
Income from continuing operations		1,481		26,500
Net income	\$	1,481	\$	26,244
Less: income from noncontrolling interests		(375))	(1,358)
Net income attributable to IHC	\$	1,106	\$	24,886

Basic income per common share:

Income from continuing operations	\$ 0.07	\$ 1.50
Net income attributable to IHC	\$ 0.07	\$ 1.48

Diluted income per common share:

Income from continuing operations	\$ 0.07	\$ 1.50
Net income attributable to IHC	\$ 0.07	\$ 1.48

The Summary Selected Unaudited Pro Forma Consolidated Financial Information of Independence Holding Company should be read in conjunction with the accompanying Pro Forma Condensed Consolidated Financial Statements and Notes thereto included in this prospectus.

MARKET FOR INDEPENDENCE HOLDING COMPANY COMMON EQUITY

Market Information

The Company's common stock trades under the symbol IHC on the New York Stock Exchange. The following table shows the high and low sales prices for IHC's common stock.

	HIGH	LOW
QUARTER ENDED:		
December 31, 2010	\$ 8.75	\$ 7.04
September 30, 2010	7.40	5.72
June 30, 2010	10.00	5.83
March 31, 2010	9.97	5.84
QUARTER ENDED:		
December 31, 2009	\$ 6.69	\$ 4.75
September 30, 2009	6.91	5.56
June 30, 2009	7.97	4.63
March 31, 2009	5.93	2.54

IHC's stock price closed at \$8.12 on December 31, 2010.

Holders of Record

At March 15, 2011, the number of record holders of IHC's common stock was 1,725.

Dividends

IHC declared a cash dividend of \$.025 per share on its common stock on June 24, 2011.

IHC declared a cash dividend of \$.025 per share on its common stock on each of June 24, 2010 and December 28, 2010 for a total annual dividend of \$.05 per share.

IHC declared a cash dividend of \$.025 per share on its common stock on each of June 26, 2009 and December 23, 2009 for a total annual dividend of \$.05 per share.

IHC declared a cash dividend of \$.025 per share on its common stock on each of June 23, 2008 and December 23, 2008 for a total annual dividend of \$.05 per share.

Private Placements

In 2008, IHC issued 127,520 shares of common stock as private placements of unregistered securities under Section 4(2) of the Securities Act of 1933, as amended (the "Securities Act"). Accordingly, the shares are "restricted securities", subject to a legend and will not be freely tradable in the United States until the shares are registered for resale under the Securities Act, or to the extent they are tradable under Rule 144 promulgated under the Securities Act or any other available exemption. Information pertaining to the Company's common stock is provided in Note 16 of Notes to Consolidated Financial Statements included in this prospectus.

Share Repurchase Program

IHC has a program, initiated in 1991, under which it repurchases shares of its common stock. In January 2010, the Board of Directors authorized the repurchase of up to 500,000 shares of IHC's common stock, inclusive of prior authorizations, under the 1991 plan. As of December 31, 2010, 293,600 shares were still authorized to be repurchased under the plan. There were no share repurchases during the quarter ended December 31, 2010.

MARKET FOR AMERICAN INDEPENDENCE CORP. COMMON EQUITY

Market Information

Since November 15, 2002, American Independence Corp. (“AMIC”) common stock has been listed and traded on the NASDAQ Stock Exchange under the symbol “AMIC”.

Quarter Ended:	High	Low
December 31, 2010	\$ 5.63	\$ 4.44
September 30, 2010	5.54	4.36
June 30, 2010	6.29	4.60
March 31, 2010	6.55	4.16
Quarter Ended:	High	Low
December 31, 2009	\$ 5.20	\$ 4.10
September 30, 2009	5.25	3.89
June 30, 2009	4.78	3.30
March 31, 2009	4.17	2.60

Holders of Record

At February 28, 2011, there were 82 record holders of American Independence Corp.’s common stock. The closing price for American Independence Corp.’s common stock at December 31, 2010 was \$4.85.

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 attempted transfer 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 these 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.

Dividends

American Independence Corp. does not have any legal restriction on paying dividends, and no dividend on American Independence Corp.’s stock was declared during 2010.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth certain information as of December 31, 2010 with respect to compensation plans under which shares of AMIC common stock may be issued.

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Plan Category	(a) Number of Securities to be Issued upon Exercise of Outstanding Options	(b) Weighted Average Exercise Price of Outstanding Options(\$)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans Excluding Securities Reflected in Column (a)
Equity compensation plans approved by security holders	359,234	\$ 9.95	6,537,222

Issuer Purchases of Equity Securities

In June 2010, the Board of Directors of AMIC authorized the repurchase of up to 200,000 shares of AMIC's common stock. The repurchase program may be discontinued or suspended at any time. As of December 31, 2010, 188,268 shares were still authorized to be repurchased under the program. There were no share repurchases during the quarter ended December 31, 2010.

BACKGROUND AND REASONS FOR THE OFFER

Background of the Offer

On July 30, 2002, Independence Holding Company acquired Pacific Century Cyberworks Limited's entire interest in American Independence Corp. pursuant to a Stock Agreement dated as of July 30, 2002 (the "Stock Agreement"), among Cyber Net Technologies Limited, a British Virgin Islands Corporation and a wholly owned subsidiary of Pacific Century CyberWorks Limited, a company incorporated in Hong Kong with limited liability, and Madison Investors Corporation, a Delaware corporation, and/or one of its affiliates. As a result of this transaction, Pacific Century Cyberworks Limited's two appointees resigned from the Board of Directors of American Independence Corp., and Edward Netter, then Chairman of Independence Holding Company, and Roy T. K. Thung, then Chief Executive Officer of Independence Holding Company, were appointed to the Board of Directors of American Independence Corp. The Stock Agreement required Independence Holding Company and its Affiliates to obtain the prior written consent of American Independence Corp. before acquiring ownership of more than 40% of the outstanding shares of American Independence Corp.

By the end of 2003, Independence Holding Company (and its subsidiaries) owned approximately 39% of American Independence Corp.'s outstanding shares. In accordance with the procedures set forth in the certificate of incorporation of American Independence Corp., and with the provisions of the Stock Agreement, Independence Holding Company's ownership of American Independence Corp.'s outstanding common stock increased through open-market and privately negotiated purchases to 49.7% by January 24, 2008. On March 1, 2010, the Board of Directors of American Independence Corp. gave approval to Independence Holding Company to acquire additional shares of American Independence Corp.'s common stock, not to exceed 80% of the total shares outstanding. Through subsequent open-market and privately negotiated purchases, by March 1, 2011, Independence Holding Company (and its subsidiaries) owned 5,364,826 shares of Company common stock, which as of July 1, 2011, represented 62.95% of the total shares outstanding.

Reasons for the Offer

Independence Holding Company is seeking to acquire up to 1,452,935 shares of American Independence Corp. common stock in the offer. We are making this offer to increase ownership of our majority-owned subsidiary American Independence Corp. If we acquire all 1,452,935 shares we are seeking, we (and our wholly owned subsidiary, Madison Investors Corporation) will own approximately 80% of the issued and outstanding shares of American Independence Corp. We believe that if we acquire greater ownership of American Independence Corp., we could further consolidate our financial results with those of American Independence Corp., thereby improving our financial presentation. Increased ownership would also enhance our ability to provide additional Independence Holding Company management focus on American Independence Corp., which would permit American Independence Corp. to grow its business more rapidly and thereby benefit Independence Holding Company as an American Independence Corp. stockholder. We believe that American Independence Corp. stockholders who tender their shares will enjoy increased liquidity in the marketplace. We also believe that the offer will not adversely affect the tax position of American Independence Corp. See "Business of American Independence Corp—Federal Net Operating Loss Carryforwards" on page 119.

Following the consummation of the offer, Independence Holding Company may, from time to time, acquire additional shares of American Independence Corp. common stock through open market purchases, individual negotiated transactions or otherwise, dispose of shares of American Independence Corp. common stock or formulate other purposes, plans or proposals regarding American Independence Corp. to the extent deemed advisable in light of its general investment policies, market conditions or other factors.

THE OFFER

Independence Holding Company is offering to exchange up to 1,452,935 shares of American Independence Corp. common stock at an exchange ratio of one share of American Independence Corp. common stock for 0.625 shares of Independence Holding Company common stock, upon the terms and subject to the conditions contained in this prospectus and the accompanying letter of transmittal. In addition, you will receive cash instead of any fractional shares of Independence Holding Company common stock to which you may be entitled.

The term “expiration date” means 5:00 p.m., New York City time, on August 12, 2011, unless Independence Holding Company extends the period of time for which the offer is open, in which case the term “expiration date” means the latest time and date on which the offer, as so extended, expires.

If you are a registered stockholder and tender your shares of American Independence Corp. common stock directly to the exchange agent, you will not be obligated to pay any charges or expenses of the exchange agent or any brokerage commissions. If you hold your shares through a broker or bank, you should consult your institution as to whether or not they will charge you any service fees. Except as set forth in the instructions to the letter of transmittal, transfer taxes on the exchange of shares of American Independence Corp. common stock pursuant to the offer will be paid by Independence Holding Company.

Independence Holding Company is seeking to acquire up to 1,452,935 shares of American Independence Corp. common stock in the offer. If Independence Holding Company acquires 1,452,935 shares of American Independence Corp. it (along with its wholly owned subsidiary, Madison Investors Corporation) will own approximately 80% of the issued and outstanding shares of American Independence Corp. Following the consummation of the offer, Independence Holding Company intends to evaluate its investment in American Independence Corp. common stock on a continual basis and may, from time to time, communicate with, make proposals to, or otherwise attempt to influence, American Independence Corp. management, members of American Independence Corp.’s board of directors and other stockholders of American Independence Corp. regarding the capitalization, business, operations and future plans of American Independence Corp.

Based on the exchange ratio for the offer, Independence Holding Company estimates that, if the maximum 1,452,935 American Independence Corp. shares are exchanged pursuant to the offer, former American Independence Corp. stockholders would own, in the aggregate, approximately 5.7% of the outstanding shares of Independence Holding Company common stock, in addition to their current holdings, if any. For a detailed discussion of the assumptions on which this estimate is based, see “—Ownership of Independence Holding Company After the Offer.”

Independence Holding Company’s obligation to exchange shares of Independence Holding Company common stock for shares of American Independence Corp. common stock pursuant to the offer is subject to several conditions referred to below under “Conditions of the Offer” including the registration statement condition. Independence Holding Company’s offer is not conditioned on any minimum number of shares being tendered.

Pursuant to Section 220 of the DGCL, Independence Holding Company has asked American Independence Corp. for its stockholder list and security position listings to communicate with you and to distribute Independence Holding Company’s offer to you. This prospectus, the related letter of transmittal and other relevant materials will be delivered to record holders of shares of American Independence Corp. common stock and to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on American Independence Corp.’s stockholder list or, if applicable, who are listed as participants in a clearing agency’s security position listing, so that they can in turn send these materials to beneficial owners of shares of American Independence Corp. common stock.

Expiration Date of the Offer

The offer is scheduled to expire at 5:00 p.m., New York City time, on August 12, 2011, unless extended by Independence Holding Company. For more information, you should read the discussion below under the caption “—Extension, Termination and Amendment.”

Extension, Termination and Amendment

Subject to the applicable rules of the SEC and the terms and conditions of the offer, Independence Holding Company expressly reserves the right, in its sole discretion, at any time or from time to time, to extend, for any reason, the period of time during which the offer remains open, and Independence Holding Company can do so by giving oral or written notice of such extension to the exchange agent. If Independence Holding Company decides to so extend the offer, Independence Holding Company will make an announcement to that effect no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. Independence Holding Company is not making any assurance that it will exercise its right to extend the offer, although it currently intends to do so until all conditions to the offer have been satisfied or waived. During any such extension, all shares of American Independence Corp. common stock previously tendered and not withdrawn will remain subject to the offer, subject to your right to withdraw your shares of American Independence Corp. common stock. You should read the discussion under “The Offer—Withdrawal Rights” for more details.

To the extent legally permissible, Independence Holding Company also reserves the right, in its sole discretion, at any time or from time to time:

• to delay acceptance for exchange of, or exchange of, any shares of American Independence Corp. common stock pursuant to the offer in order to comply in whole or in part with applicable law;

• to terminate the offer and not accept or exchange any shares of American Independence Corp. common stock not previously accepted or exchanged, upon the failure of any of the conditions of the offer to be satisfied prior to the expiration date; and

• to waive any condition or otherwise amend the offer in any respect.

In addition, even if Independence Holding Company has accepted for exchange, but not exchanged, shares in the offer, it may terminate the offer and not exchange shares of American Independence Corp. common stock that were previously tendered if completion of the offer is illegal or if a governmental authority has commenced or threatened legal action related to the offer. However, Independence Holding Company may not assert a non-regulatory condition after the expiration of the offer.

Independence Holding Company will effect any extension, termination, amendment or delay by giving oral or written notice to the exchange agent and by making a public announcement as promptly as practicable thereafter. In the case of an extension, any such announcement will be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. Subject to applicable law and without limiting the manner in which Independence Holding Company may choose to make any public announcement, Independence Holding Company assumes no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a press release.

Independence Holding Company will promptly pay for all securities properly tendered and not withdrawn by the expiration date or will promptly return all securities after termination or withdrawal of the offer as required by Rule 14e-1(c) under the Securities Exchange Act of 1934, as amended, or the “Exchange Act.”

Independence Holding Company confirms to you that if it makes a material change in the terms of the offer or the information concerning the offer, or if it waives a material condition of the offer, it will extend the offer to the extent required under the Exchange Act and will comply with the provisions of Rule 14d-4(b) and (d) under the Exchange Act in disseminating information about the material change to American Independence Corp. stockholders. If, prior to the expiration date, Independence Holding Company changes the percentage of shares of American Independence

Corp. common stock being sought or the consideration offered to you, that change will apply to all holders whose shares of American Independence Corp. common stock are accepted for exchange pursuant to Independence Holding Company's offer, regardless of whether the shares were tendered before or after the change. If at the time notice of that change is first published, sent or given to you, the offer is scheduled to expire at any time earlier than the tenth business day from and including the date that such notice is first so published, sent or given, Independence Holding Company will extend the offer until the expiration of that ten business day period. For purposes of the offer, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

Because the offer is for less than all of the outstanding American Independence Corp. common stock, Exchange Act Rule 14d-11 does not permit Independence Holding Company to provide a subsequent offering period after the expiration of the offer.

Exchange of American Independence Corp. Shares; Delivery of Independence Holding Company Common Stock and Cash

Upon the terms and subject to the conditions of the offer (including, if the offer is extended or amended, the terms and conditions of any such extension or amendment), Independence Holding Company will accept for exchange, and will exchange, up to 1,452,935 shares of American Independence Corp. common stock validly tendered and not properly withdrawn promptly after the expiration date. In addition, subject to applicable rules of the SEC, Independence Holding Company expressly reserves the right to delay acceptance for exchange of, or the exchange of, shares of American Independence Corp. common stock in order to comply with any applicable law. In all cases, exchange of shares of American Independence Corp. common stock tendered and accepted for exchange pursuant to the offer will be made only after timely receipt by the exchange agent of certificates for those shares of American Independence Corp. common stock (or a confirmation of a book-entry transfer of those shares of American Independence Corp. common stock in the exchange agent's account at The Depository Trust Company, referred to as "DTC"), a properly completed and duly executed letter of transmittal and any other required documents.

For purposes of the offer, Independence Holding Company will be deemed to have accepted for exchange shares of American Independence Corp. common stock validly tendered and not properly withdrawn as, if and when it notifies the exchange agent of its acceptance of the tenders of those shares of American Independence Corp. common stock pursuant to the offer. The exchange agent will deliver Independence Holding Company common stock in exchange for shares of American Independence Corp. common stock pursuant to the offer and cash instead of fractional shares of Independence Holding Company common stock promptly after receipt of such notice. The exchange agent will act as your agent for the purpose of receiving Independence Holding Company common stock (and cash to be paid in lieu of fractional shares of Independence Holding Company common stock) from Independence Holding Company and transmitting such stock and cash, as applicable, to you. You will not receive any interest on any cash that Independence Holding Company pays you, even if there is a delay in making the exchange.

If Independence Holding Company does not accept any tendered shares of American Independence Corp. common stock for exchange pursuant to the terms and conditions of the offer for any reason (including shares not accepted because of proration), or if certificates are submitted for more shares of American Independence Corp. common stock than are tendered, Independence Holding Company will return certificates for such unexchanged shares of American Independence Corp. common stock without expense to the tendering stockholder or, in the case of shares of American Independence Corp. common stock tendered by book-entry transfer of such shares of American Independence Corp. common stock into the exchange agent's account at DTC pursuant to the procedures set forth below in the section entitled "—Procedure for Tendering," those shares of American Independence Corp. common stock will be credited to an account maintained within DTC promptly following expiration or termination of the offer.

Independence Holding Company reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates, the right to exchange all or any portion of the shares of American Independence Corp. common stock tendered pursuant to the offer, but any such transfer or assignment will not relieve Independence Holding Company of its obligations under the offer or prejudice the rights of tendering stockholders to exchange shares of American Independence Corp. common stock validly tendered and accepted for exchange pursuant to the offer.

Cash Instead of Fractional Shares of Independence Holding Company Common Stock

Independence Holding Company will not issue certificates representing fractional shares of Independence Holding Company common stock pursuant to the offer. Instead, each tendering stockholder who would otherwise be entitled to a fractional share of Independence Holding Company common stock will receive cash in an amount equal to such fraction (expressed as a decimal and rounded to the nearest 0.01 of a share) multiplied by the average of the closing prices, rounded to four decimal points, of Independence Holding Company common stock for the 15 consecutive trading day period ending on the third trading day before the expiration date.

Proration

If more than 1,452,935 shares of American Independence Corp. common stock are validly tendered and not properly withdrawn prior to the expiration date, Independence Holding Company will, upon the terms and subject to the conditions of the offer, accept shares for exchange on a pro rata basis. If proration of tendered shares is required, Independence Holding Company will determine the proration factor promptly following the expiration date. Proration for each stockholder tendering shares will be based on the ratio of the number of shares validly tendered and not properly withdrawn by such stockholder to the total number of shares validly tendered and not properly withdrawn by all stockholders. Because of the difficulty in determining the number of shares validly tendered, including shares tendered by guaranteed delivery procedures as described below, and not properly withdrawn, Independence Holding Company does not expect that it will be able to announce the final proration factor until five to seven business days after the expiration date. The preliminary results of any proration will be announced by press release promptly after the expiration date. American Independence Corp. stockholders may obtain preliminary proration information from the information agent for the offer and may be able to obtain this information from their brokers.

Procedure for Tendering

For you to validly tender shares of American Independence Corp. common stock pursuant to the offer, either (a) a properly completed and duly executed letter of transmittal, along with any required signature guarantees, or an agent's message in connection with a book-entry transfer, and any other required documents, must be received by the exchange agent at one of its addresses set forth on the back cover of this prospectus, and certificates for tendered shares of American Independence Corp. common stock must be received by the exchange agent at such address or those shares of American Independence Corp. common stock must be tendered pursuant to the procedures for book-entry transfer set forth below (and a confirmation of receipt of such tender, referred to as a "book-entry confirmation," must be received), in each case before the expiration date, or (b) you must comply with the guaranteed delivery procedures set forth below under "—Guaranteed Delivery."

The term "agent's message" means a message transmitted by DTC to, and received by, the exchange agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the DTC participant tendering the shares of American Independence Corp. common stock that are the subject of such book-entry confirmation, that such participant has received and agrees to be bound by the terms of the letter of transmittal and that Independence Holding Company may enforce that agreement against such participant.

The exchange agent will establish accounts with respect to the shares of American Independence Corp. common stock at DTC in connection with the offer within two business days after the date of this offer, and any financial institution that is a participant in DTC may make book-entry delivery of shares of American Independence Corp. common stock by causing DTC to transfer such shares into the exchange agent's account in accordance with DTC's procedure for such transfer. However, although delivery of shares of American Independence Corp. common stock may be effected through book-entry transfer at DTC, the letter of transmittal with any required signature guarantees, or an agent's message, along with any other required documents, must, in any case, be received by the exchange agent at one of its addresses set forth on the back cover of this prospectus prior to the expiration date, or the guaranteed delivery procedures described below must be followed. Independence Holding Company cannot assure you that book-entry delivery of American Independence Corp. shares will be available. If book-entry delivery is not available, you must tender American Independence Corp. shares by means of delivery of American Independence Corp. share certificates or pursuant to the guaranteed delivery procedures set forth below under "—Guaranteed Delivery."

Signatures on all letters of transmittal must be guaranteed by an eligible institution (as defined below), except (1) in cases in which shares of American Independence Corp. common stock are tendered by a registered holder of shares of American Independence Corp. common stock who has not completed the box entitled "Special Issuance Instructions" or

the box entitled “Special Delivery Instructions” on the letter of transmittal or (2) if shares of American Independence Corp. common stock are tendered for the account of a financial institution that is a member of the Securities Transfer Agents Medallion Program or by any other “eligible guarantor institution,” as that term is defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing is referred to as an “eligible institution”). Most banks, savings and loan associations and brokerage houses are able to effect these signature guarantees for you.

If the certificates for shares of American Independence Corp. common stock are registered in the name of a person other than the person who signs the letter of transmittal, or if the offer consideration is to be delivered, or certificates for unexchanged shares of American Independence Corp. common stock are to be issued, to a person other than the registered holder(s), the American Independence Corp. share certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the certificates, with the signature(s) on the certificates or stock powers guaranteed by an eligible institution.

In all cases, Independence Holding Company will exchange shares of American Independence Corp. common stock tendered and accepted for exchange pursuant to the offer only after timely receipt by the exchange agent of certificates for shares of American Independence Corp. common stock (or timely confirmation of a book-entry transfer of such securities into the exchange agent's account at DTC as described above), properly completed and duly executed letter(s) of transmittal (or an agent's message in connection with a book-entry transfer) and any other required documents.

By executing a letter of transmittal as set forth above, you irrevocably appoint Independence Holding Company's designees as your attorneys-in-fact and proxies, each with full power of substitution, to the full extent of your rights with respect to your shares of American Independence Corp. common stock tendered and accepted for exchange by Independence Holding Company and with respect to any and all other shares of American Independence Corp. common stock and other securities issued or issuable in respect of such shares of American Independence Corp. common stock on or after the expiration date. That appointment is effective, and voting rights will be affected, when and only to the extent that Independence Holding Company deposits with the exchange agent the shares of its common stock and cash in lieu of fractional shares in consideration for the shares of American Independence Corp. common stock that you have tendered. All such proxies will be considered coupled with an interest in the tendered shares of American Independence Corp. common stock and therefore will not be revocable. Upon the effectiveness of such appointment, all prior proxies that you have given will be revoked, and you may not give any subsequent proxies (and, if given, they will not be deemed effective). Independence Holding Company's designees will, with respect to the shares of American Independence Corp. common stock for which the appointment is effective, be empowered, among other things, to exercise all of your voting and other rights as they, in their sole discretion, deem proper at any annual, special or adjourned meeting of American Independence Corp.'s stockholders or otherwise. Independence Holding Company reserves the right to require that, in order for shares of American Independence Corp. common stock to be deemed validly tendered, immediately upon the exchange of those shares, Independence Holding Company must be able to exercise full voting rights with respect to those shares.

THE METHOD OF DELIVERY OF AMERICAN INDEPENDENCE CORP. SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH DTC, IS AT YOUR OPTION AND RISK, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF DELIVERY IS BY MAIL, INDEPENDENCE HOLDING COMPANY RECOMMENDS REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED. IN ALL CASES, YOU SHOULD ALLOW SUFFICIENT TIME TO ENSURE TIMELY DELIVERY.

TO PREVENT BACKUP FEDERAL INCOME TAX WITHHOLDING, YOU MUST PROVIDE THE EXCHANGE AGENT WITH YOUR CORRECT TAXPAYER IDENTIFICATION NUMBER AND CERTIFY WHETHER YOU ARE SUBJECT TO BACKUP WITHHOLDING OF FEDERAL INCOME TAX BY COMPLETING THE SUBSTITUTE FORM W-9 INCLUDED IN THE LETTER OF TRANSMITTAL. SOME STOCKHOLDERS (INCLUDING, AMONG OTHERS, ALL CORPORATIONS AND SOME FOREIGN INDIVIDUALS) ARE NOT SUBJECT TO THESE BACKUP WITHHOLDING AND REPORTING REQUIREMENTS. IN ORDER FOR A FOREIGN INDIVIDUAL TO QUALIFY AS AN EXEMPT RECIPIENT, THE STOCKHOLDER MUST SUBMIT A FORM W-8, SIGNED UNDER PENALTIES OF PERJURY, ATTESTING TO THAT INDIVIDUAL'S EXEMPT STATUS.

Guaranteed Delivery

If you wish to tender shares of American Independence Corp. common stock pursuant to the offer and your certificates are not immediately available or you cannot deliver the certificates and all other required documents to the exchange agent prior to the expiration date or complete the procedure for book-entry transfer on a timely basis, your shares of American Independence Corp. common stock may nevertheless be tendered, as long as all of the following conditions are satisfied:

- you make your tender by or through an eligible institution;
- a properly completed and duly executed notice of guaranteed delivery, substantially in the form made available by Independence Holding Company, is received by the exchange agent as provided below prior to the expiration date; and
- the certificates for all tendered shares of American Independence Corp. common stock (or a confirmation of a book-entry transfer of such securities into the exchange agent's account at DTC as described above), in proper form for transfer, together with a properly completed and duly executed letter of transmittal with any required signature guarantees (or, in the case of a book-entry transfer, an agent's message) and all other documents required by the letter of transmittal, are received by the exchange agent within three trading days after the date of execution of such notice of guaranteed delivery.

You may deliver the notice of guaranteed delivery by hand, overnight courier, facsimile transmission or mail to the exchange agent. The notice must include a guarantee by an eligible institution in the form set forth in the notice.

The tender of shares of American Independence Corp. common stock pursuant to any of the procedures described above will constitute a binding agreement between Independence Holding Company and you upon the terms and subject to the conditions of the offer.

Matters Concerning Validity and Eligibility

Independence Holding Company will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of shares of American Independence Corp. common stock, in its sole discretion, and its determination will be final and binding to the fullest extent permitted by law. Independence Holding Company reserves the absolute right to reject any and all tenders of shares of American Independence Corp. common stock that it determines are not in proper form or the acceptance of or exchange for which may, in the opinion of its counsel, be unlawful. Independence Holding Company also reserves the absolute right to waive any defect or irregularity in the tender of any shares of American Independence Corp. common stock. No tender of shares of American Independence Corp. common stock will be deemed to have been validly made until all defects and irregularities in tenders of shares of American Independence Corp. common stock have been cured or waived. None of Independence Holding Company, the exchange agent, the information agent or any other person will be under any duty to give notification of any defects or irregularities in the tender of any shares of American Independence Corp. common stock or will incur any liability for failure to give any such notification. Independence Holding Company's interpretation of the terms and conditions of the offer (including the letter of transmittal and instructions thereto) will be final and binding to the fullest extent permitted by law.

IF YOU HAVE ANY QUESTIONS ABOUT THE PROCEDURE FOR TENDERING SHARES OF AMERICAN INDEPENDENCE CORP. COMMON STOCK, PLEASE CONTACT THE INFORMATION AGENT AT ITS ADDRESS AND TELEPHONE NUMBERS SET FORTH ON THE BACK COVER OF THIS PROSPECTUS.

Withdrawal Rights

You can withdraw tendered shares at any time until the offer has expired and, if Independence Holding Company has not agreed to accept your shares for exchange by the expiration date, you can withdraw them at any time after that date until it accepts shares for exchange. If Independence Holding Company elects to extend the offer, is delayed in its acceptance for exchange of shares of American Independence Corp. common stock or is unable to accept shares of American Independence Corp. common stock for exchange pursuant to the offer for any reason, then, without prejudice to Independence Holding Company's rights under the offer, the exchange agent may, on behalf of Independence Holding Company, retain tendered shares of American Independence Corp. common stock, and such shares of American Independence Corp. common stock may not be withdrawn except to the extent that tendering stockholders are entitled to withdrawal rights as described in this section. Any such delay will be by an extension of the offer to the extent required by law. Please see the section of this prospectus entitled “— Extension, Termination and Amendment.”

For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be timely received by the exchange agent at one of its addresses set forth on the back cover page of this prospectus. Any such notice of withdrawal must specify the name of the person who tendered the shares of American Independence Corp. common stock to be withdrawn, the number of shares of American Independence Corp. common stock to be withdrawn and the name of the registered holder of such shares of American Independence Corp. common stock, if different from that of the person who tendered such shares of American Independence Corp. common stock. If certificates evidencing shares of American Independence Corp. common stock to be withdrawn have been delivered or otherwise identified to the exchange agent, then, prior to the physical release of such certificates, the serial numbers shown on such certificates must be submitted to the exchange agent and, unless such shares of American Independence Corp. common stock have been tendered by or for the account of an eligible institution, the signature(s) on the notice of withdrawal must be guaranteed by an eligible institution. If shares of American Independence Corp. common stock have been tendered pursuant to the procedure for book-entry transfer as set forth in the section of this prospectus entitled “— Procedure for Tendering,” any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn shares of American Independence Corp. common stock.

Withdrawals of shares of American Independence Corp. common stock may not be rescinded. Any shares of American Independence Corp. common stock properly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the offer. However, withdrawn shares of American Independence Corp. common stock may be re-tendered at any time prior to the expiration date by following one of the procedures discussed under the sections entitled “—Procedure for Tendering” or “—Guaranteed Delivery.”

Independence Holding Company will decide all questions as to the form and validity (including time of receipt) of any notice of withdrawal in its sole discretion, and its decision shall be final and binding to the fullest extent permitted by law. None of Independence Holding Company, the exchange agent, the information agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or will incur any liability for failure to give any such notification.

Announcement of Results of the Offer

Independence Holding Company will announce by press release the final results of the offer, including whether all of the conditions to the offer have been fulfilled or waived and whether Independence Holding Company will accept the tendered shares of American Independence Corp. common stock for exchange, promptly after expiration of the offer, except as otherwise provided above under “Proration.”

Ownership of Independence Holding Company After the Offer

Based on the exchange ratio for the offer and assuming that:

“Independence Holding Company exchanges pursuant to the offer the maximum 1,452,935 shares of American Independence Corp. common stock; and

“15,833,215 shares of Independence Holding Company common stock, which is the number of shares outstanding as of July 1, 2011, are outstanding;

former American Independence Corp. stockholders would own, in the aggregate, approximately 5.7% of the outstanding shares of Independence Holding Company common stock, in addition to their current holdings, if any.

Taxation

The following is a discussion of certain U.S. federal income tax consequences of the offer to U.S. holders (as defined below) of American Independence Corp. common stock whose stock is exchanged for Independence Holding Company common stock pursuant to the offer. The discussion is based on the Internal Revenue Code of 1986, as amended, referred to in this prospectus as the “Code,” applicable Treasury Regulations and administrative and judicial interpretations thereof, each as in effect as of the date of this offer, all of which may change, possibly with retroactive effect. The discussion applies only to U.S. holders who hold their American Independence Corp. common stock as capital assets (generally property held for investment) and may not apply to stockholders subject to special rules under the Code, including, without limitation, persons who acquired their American Independence Corp. common stock upon the exercise of stock options or otherwise as compensation, financial institutions, brokers, dealers or traders in securities or commodities, insurance companies, partnerships or other entities treated as partnerships or flow-through entities for U.S. federal income tax purposes, tax-exempt organizations, persons who are subject to alternative minimum tax, persons who hold American Independence Corp. common stock as a position in a “straddle” or as part of a “hedging” or “conversion” transaction or other integrated investment, regulated investment companies and real estate investment trusts, or persons that have a functional currency other than the United States dollar. This discussion does not address the U.S. federal tax consequences to any stockholder of American Independence Corp. who, for U.S. federal income tax purposes, is a non-resident alien individual, foreign corporation, foreign partnership or foreign estate or trust, and does not address any state, local or foreign tax consequences of the offer.

BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, EACH STOCKHOLDER SHOULD CONSULT SUCH STOCKHOLDER’S TAX ADVISOR REGARDING THE APPLICABILITY OF THE RULES DISCUSSED BELOW TO SUCH STOCKHOLDER AND THE PARTICULAR TAX EFFECTS TO SUCH STOCKHOLDER OF THE OFFER, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL, AND FOREIGN TAX LAWS.

For purposes of this discussion, a U.S. holder is any beneficial owner of American Independence Corp. common stock that is any of the following: (i) an individual who is a citizen or resident of the United States; (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust (1) if a court within the United States is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust or (2) that has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes.

The receipt of Independence Holding Company common stock and cash in lieu of fractional shares by a U.S. holder in exchange for American Independence Corp. common stock pursuant to the offer is expected to be a taxable transaction for U.S. federal income tax purposes. In general, a U.S. holder who exchanges American Independence Corp. common stock pursuant to the offer will recognize gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the fair market value on the date of acceptance for exchange pursuant to the offer of the Independence Holding Company common stock and cash in lieu of fractional shares received and the holder’s adjusted tax basis in the American Independence Corp. common stock exchanged pursuant to the offer. Gain or loss will be determined separately for each block of American Independence Corp. common stock (i.e., American Independence Corp. common stock acquired at the same cost in a single transaction) exchanged pursuant to the offer. Any such gain or loss generally will be long-term capital gain or loss if the stockholder has held the American Independence Corp. common stock for more than one year on the date of acceptance for exchange pursuant to the offer. Long-term capital gain of noncorporate stockholders is generally taxable at preferential rates. Certain limitations apply to the use of capital losses.

A U.S. holder's tax basis in the Independence Holding Company common stock received pursuant to the offer will equal its fair market value on the date of acceptance for exchange pursuant to the offer. A holder's holding period in the Independence Holding Company common stock received will begin the day following the date of acceptance for exchange pursuant to the offer.

Dissenters' Rights

Dissenters' Rights

Dissenters' rights are the rights of stockholders, in certain cases, to receive "fair value" for their shares, plus accrued interest, as determined by a statutorily-prescribed process, which may include a judicial appraisal process. Dissenters' rights are not available in the offer.

Plans for American Independence Corp.

Following the consummation of the offer, Independence Holding Company may, from time to time, communicate with, make proposals to, or otherwise attempt to influence, American Independence Corp. management, members of American Independence Corp.'s board of directors and other stockholders of American Independence Corp. regarding the capitalization, business, operations and future plans of American Independence Corp.

Following the consummation of the offer, Independence Holding Company (and its wholly owned subsidiary, Madison Investors Corporation) may own up to 80% of the issued and outstanding shares of American Independence Corp. Independence Holding Company may, from time to time, acquire additional shares of American Independence Corp. common stock, dispose of shares of American Independence Corp. common stock or formulate other purposes, plans or proposals regarding American Independence Corp. or the American Independence Corp. common stock, to the extent deemed advisable in light of its general investment policies, market conditions or other factors.

Except as indicated in this prospectus, neither Independence Holding Company nor any of Independence Holding Company's subsidiaries or affiliates has any current plans or proposals which relate to or would result in (1) any extraordinary transaction, such as a merger, reorganization or liquidation of American Independence Corp. or any of its subsidiaries, (2) any purchase, sale or transfer of a material amount of assets of American Independence Corp. or any of its subsidiaries, (3) any material change in the present dividend rate or policy, or indebtedness or capitalization of American Independence Corp. or any of its subsidiaries, (4) any change in the current board of directors or management of American Independence Corp., (5) any other material change in American Independence Corp.'s corporate structure or business, (6) the delisting of any class of equity security of American Independence Corp. from a national securities exchange or (7) any class of equity securities of American Independence Corp. becoming eligible for termination of registration under the Exchange Act.

Effect of the Offer on the Market for Shares of American Independence Corp. Common Stock; Registration Under the Exchange Act; NASDAQ Listing

Effect of the Offer on the Market for the Shares of American Independence Corp. Common Stock

The exchange of shares of American Independence Corp. common stock by Independence Holding Company pursuant to the offer will reduce the number of holders of American Independence Corp. common stock and the number of shares of American Independence Corp. common stock held by individual holders. Independence Holding Company does not expect the offer to adversely affect the liquidity of the shares of American Independence Corp. common stock.

Registration Under the Exchange Act

Based upon American Independence Corp.'s public filings with the SEC, Independence Holding Company believes that American Independence Corp. common stock is currently registered under the Exchange Act. Independence Holding Company does not expect the offer to result in the termination of the registration of the American

Independence Corp. common stock under the Exchange Act.

NASDAQ Listing

Based upon American Independence Corp.'s public filings with the SEC, Independence Holding Company believes that the common stock of American Independence Corp. is currently listed and traded on the NASDAQ Stock Market. Independence Holding Company does not expect the offer to result in the delisting of American Independence Corp. common stock.

Conditions of the Offer

Notwithstanding any other provision of the offer, Independence Holding Company is not required to accept for exchange or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Independence Holding Company's obligation to pay for or return tendered shares promptly after termination or expiration of the offer), exchange any shares of American Independence Corp. common stock, and may terminate or amend the offer, if, at the expiration date, the following conditions have not been satisfied or, to the extent legally permissible, waived:

“the “registration statement condition”— no stop order suspending the effectiveness of the registration statement shall have been issued and no proceedings for that purpose shall have been initiated or threatened by the SEC; and

“the “listing condition”— the shares of Independence Holding Company common stock to be issued pursuant to the offer shall have been authorized for listing on the New York Stock Exchange, subject to official notice of issuance.

In addition, notwithstanding any other provision of the offer, Independence Holding Company is not required to accept for exchange or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Independence Holding Company's obligation to pay for or return tendered shares promptly after termination or expiration of the offer), exchange any shares of American Independence Corp. common stock, and may terminate or amend the offer, if, at any time on or after the date of this prospectus and before the expiration of the offer, any of the following conditions exist:

- (i) there is threatened, instituted or pending any action or proceeding by any government, governmental authority or agency or any other person, domestic, foreign or supranational, before any court or governmental authority or agency, domestic, foreign or supranational, (a) challenging or seeking to make illegal, to delay or otherwise, directly or indirectly, to restrain or prohibit the making of the offer, the acceptance for exchange of or exchange of some or all of the shares of American Independence Corp. common stock sought by Independence Holding Company or any of its subsidiaries or affiliates, (b) seeking to obtain material damages or otherwise directly or indirectly relating to the offer, (c) seeking to impose limitations on Independence Holding Company's ability or that of any of its subsidiaries or affiliates effectively to exercise any rights as record or beneficial owner of the shares of American Independence Corp. common stock acquired or owned by Independence Holding Company or any of its subsidiaries or affiliates, including, without limitation, the right to vote any shares acquired or owned by Independence Holding Company or any of its subsidiaries or affiliates on all matters properly presented to American Independence Corp.'s stockholders, (d) seeking to require divestiture by Independence Holding Company or any of its subsidiaries or affiliates of any shares of American Independence Corp. common stock, or (e) that otherwise, in Independence Holding Company's reasonable judgment, has or may have a material adverse effect on the business, assets, liabilities, financial condition, capitalization, operations or results of operations of American Independence Corp. or any of its subsidiaries or affiliates or results or may result in a material diminution in the value of the shares of American Independence Corp. common stock; or
- (ii) any action is taken, or any statute, rule, regulation, injunction, order or decree is proposed, enacted, enforced, promulgated, issued or deemed applicable to the offer or the acceptance for exchange of or exchange of shares of American Independence Corp. common stock, by any court, government or governmental authority or agency, domestic, foreign or supranational, or of any applicable foreign statutes or regulations (as in effect as of the date of this prospectus) to the offer, that, in Independence Holding Company's reasonable judgment, might, directly or indirectly, result in any of the consequences referred to in clauses (a) through (e) of paragraph (i) above; or
- (iii) any change occurs or is threatened (or any development occurs or is threatened involving a prospective change) in the business, assets, liabilities, financial condition, capitalization, operations or results of operations of

American Independence Corp. or any of its subsidiaries or affiliates that has or reasonably would be expected to have a material adverse effect on American Independence Corp. or any of its subsidiaries or affiliates, based upon prevailing interpretations of Delaware law by the Court of Chancery of the State of Delaware; or

- (iv) there occurs (a) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market, (b) any decline in either the Dow Jones Industrial Average, the Standard and Poor's Index of 500 Industrial Companies or the NASDAQ-100 Index by an amount in excess of 15%, measured from the business day immediately preceding the date of the offer, or any change in the general political, market, economic or financial conditions in the United States or abroad that, in Independence Holding Company's reasonable judgment, could have a material adverse effect on the business, financial condition or results of operations of American Independence Corp. and its subsidiaries, taken as a whole, (c) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (d) any material adverse change (or development or threatened development involving a prospective material adverse change) in U.S. or any other currency exchange rates or a suspension of, or a limitation on, the markets therefor, (e) the commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States or any attack on, outbreak or act of terrorism involving the United States, (f) any limitation (whether or not mandatory) by any governmental authority or agency on, or any other event that, in Independence Holding Company's reasonable judgment, may adversely affect, the extension of credit by banks or other financial institutions or (g) in the case of any of the foregoing existing at the time of the date of the offer, a material acceleration or worsening thereof; or
- (v)(a) a tender or exchange offer for some or all of the shares of American Independence Corp. common stock has been publicly proposed to be made or has been made by another person (including American Independence Corp. or any of its subsidiaries or affiliates), or has been publicly disclosed, (b) any person or group has entered into a definitive agreement or an agreement in principle or made a proposal with respect to a tender or exchange offer or a merger, consolidation or other business combination with or involving American Independence Corp.; or
- (vi) American Independence Corp. or any of its subsidiaries has (a) split, combined or otherwise changed, or authorized or proposed the split, combination or other change of, the shares of American Independence Corp. common stock or its capitalization, (b) acquired or otherwise caused a reduction in the number of, or authorized or proposed the acquisition or other reduction in the number of, outstanding shares of American Independence Corp. common stock or other securities, (c) issued or sold, or authorized or proposed the issuance or sale of, any additional shares of American Independence Corp. common stock, shares of any other class or series of capital stock, other voting securities or any securities convertible into, or options, rights or warrants, conditional or otherwise, to acquire, any of the foregoing (other than the issuance of shares of American Independence Corp. common stock or options to employees or directors in the ordinary course of business consistent with past practice), or any other securities or rights in respect of, in lieu of, or in substitution or exchange for any shares of its capital stock, (d) permitted the issuance or sale of any shares of any class of capital stock or other securities of any subsidiary of American Independence Corp., (e) declared, paid or proposed to declare or pay any dividend or other distribution on any shares of capital stock of American Independence Corp., other than regular dividends on the common stock, (f) altered or proposed to alter any material term of any outstanding security, issued or sold, or authorized or proposed the issuance or sale of, any debt securities or otherwise incurred or authorized or proposed the incurrence of any debt other than in the ordinary course of business, (g) authorized, recommended, proposed, announced its intent to enter into or entered into an agreement with respect to or effected any merger, consolidation, liquidation, dissolution, business combination, acquisition of assets, disposition of assets or relinquishment of any material contract or other right of American Independence Corp. or any of its subsidiaries or any comparable event not in the ordinary course of business, (h) authorized, recommended, proposed, announced its intent to enter into or entered into any agreement or arrangement with any person or group that, in Independence Holding Company's reasonable judgment, has or may have a material adverse effect on the business, assets, liabilities, financial condition, capitalization, operations or results of operations of American Independence Corp. or any of its subsidiaries or affiliates or results or may result in a material diminution in the value of the shares of American Independence Corp. common stock, or (i) amended, or authorized or proposed any amendment to, its certificate of incorporation or bylaws (or other similar constituent documents); or

- (vii) any covenant, term or condition in any instrument or agreement of American Independence Corp. or any of its subsidiaries, in Independence Holding Company's reasonable judgment, has or may have a material adverse effect on the business, assets, liabilities, financial condition, capitalization, operations or results of operations of American Independence Corp. or any of its subsidiaries or affiliates or results or may result in a material diminution in the value of the shares of American Independence Corp. common stock.

The satisfaction or existence of any of the conditions to the offer will be determined by Independence Holding Company in its reasonable discretion. These conditions are for the sole benefit of Independence Holding Company and its affiliates and may be asserted by Independence Holding Company in its reasonable discretion regardless of the circumstances giving rise to any of these conditions or may be waived (to the extent legally permissible) by Independence Holding Company in its reasonable discretion in whole or in part at any time or from time to time before the expiration date (provided that all conditions to the offer must be satisfied or waived prior to the expiration of the offer). Independence Holding Company expressly reserves the right to waive any of the conditions to the offer (to the extent legally permissible) and to make any change in the terms of or conditions to the offer. Independence Holding Company's failure at any time to exercise its rights under any of these conditions will not be deemed a waiver of any such right. The waiver of any such right with respect to particular facts and circumstances will not be deemed a waiver with respect to any other facts and circumstances. Each such right will be deemed an ongoing right which may be asserted at any time or from time to time, except that any such right may not be asserted after the expiration date. Any determination made by Independence Holding Company concerning the events described in this section "—Conditions to the Offer" will be final and binding upon all parties, subject to the tendering stockholder's right to bring any dispute with respect thereto before a court of competent jurisdiction.

Dividends and Distributions

If on or after the date of this prospectus, American Independence Corp.:

- (a) splits, combines or otherwise changes its shares of common stock or its capitalization,
- (b) acquires shares of its common stock or otherwise causes a reduction in the number of outstanding shares,
- (c) issues or sells any additional shares of its common stock (other than shares or options issued to employees or directors in the ordinary course of business consistent with past practice), shares of any other class or series of capital stock, other voting securities or any securities convertible into, or options, rights, or warrants, conditional or otherwise, to acquire, any of the foregoing, or any other securities or rights in respect of, in lieu of, or in substitution or exchange for any shares of its capital stock, or
- (d) discloses that it has taken such action,

then, without prejudice to Independence Holding Company's rights under "—Extension, Termination and Amendment" and "—Conditions of the Offer," Independence Holding Company may, in its sole discretion, make such adjustments in the exchange ratio and other terms of the offer as it deems appropriate including, without limitation, the number or type of securities to be purchased.

Certain Legal Matters; Regulatory Approvals

Independence Holding Company is not aware of any governmental license or regulatory permit that appears to be material to American Independence Corp.'s business that might be adversely affected by Independence Holding Company's acquisition of shares of American Independence Corp. common stock pursuant to the offer or of any approval or other action by any government or governmental administrative or regulatory authority or agency, domestic or foreign, that would be required for Independence Holding Company's acquisition or ownership of shares of American Independence Corp. common stock pursuant to the offer. Should any of these approvals or other actions be required, Independence Holding Company currently contemplates that these approvals or other actions will be sought. There can be no assurance that any of these approvals or other actions, if needed, will be obtained (with or without substantial conditions) or that if these approvals were not obtained or these other actions were not taken adverse consequences might not result to Independence Holding Company, American Independence Corp. or any of their respective subsidiaries, which could result in the failure of a condition to the offer. Independence Holding Company's obligation under the offer to accept for exchange and exchange shares of American Independence Corp. common stock is subject to certain conditions. See "—Conditions of the Offer."

Relationships With American Independence Corp.

On July 30, 2002, Independence Holding Company acquired Pacific Century Cyberworks Limited's entire interest in American Independence Corp. pursuant to a Stock Agreement dated as of July 30, 2002, among Cyber Net Technologies Limited, a British Virgin Islands Corporation and a wholly owned subsidiary of Pacific Century CyberWorks Limited, a company incorporated in Hong Kong with limited liability, and Madison Investors Corporation, a Delaware corporation, and/or one of its Affiliates. As a result of this transaction, Pacific Century Cyberworks Limited's two appointees resigned from the Board of Directors of American Independence Corp., and Edward Netter, then Chairman of Independence Holding Company, and Roy T. K. Thung, then Chief Executive Officer of Independence Holding Company, were appointed to the Board of Directors of American Independence Corp. The Stock Agreement required Independence Holding Company and its Affiliates to obtain the prior written consent of American Independence Corp. before acquiring ownership of more than 40% of the outstanding shares of American Independence Corp.

By the end of 2003, Independence Holding Company (and its subsidiaries) owned approximately 39% of American Independence Corp.'s outstanding shares. In accordance with the procedures set forth in American Independence Corp.'s certificate of incorporation, and with the provisions of American Independence Corp.'s Stock Agreement, Independence Holding Company's ownership of American Independence Corp.'s outstanding common stock increased through open-market and privately negotiated purchases to 49.7% by January 24, 2008. On March 1, 2010, Board of Directors of American Independence Corp. gave approval, pursuant to the Stock Agreement, to Independence Holding Company to acquire additional shares of American Independence Corp.'s common stock, not to exceed 80% of the total shares outstanding. Through subsequent open-market and privately negotiated purchases, by March 1, 2011, Independence Holding Company (and its subsidiaries) owned 5,364,826 shares of American Independence Corp.'s common stock, which as of July 1, 2011, represented 62.95% of the total shares outstanding.

American Independence Corp.'s subsidiary, Independence American, is primarily a reinsurer, and currently derives most of its business from pro rata quota share reinsurance treaties with Standard Security Life Insurance Company of New York and Madison National Life Insurance Company, Inc., which are wholly owned subsidiaries of Independence Holding Company. 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 Independence Holding Company'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 statutory disability business. Standard Security Life and Madison National Life ceded approximately 9% of their 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 Independence Holding Company in connection with fully insured health business written by Independence American. Additionally, American Independence Corp.'s other subsidiaries market, underwrite and provide administrative services, and provides medical management and claims adjudication, for a substantial portion of the medical stop-loss business written by the insurance subsidiaries of Independence Holding Company. American Independence Corp. also contracts for several types of insurance coverage (e.g., directors and officers and professional liability coverage) jointly with Independence Holding Company. The cost of this coverage is split proportionally between American Independence Corp. and Independence Holding Company according to the type of risk.

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 a service agreement with Independence Holding Company and its subsidiaries. These payments reimburse IHC and its subsidiaries, at agreed upon rates including an overhead factor, for management services provided to the Company and its subsidiaries, including accounting, legal, compliance, underwriting, and claims.

As of the date of this prospectus, Independence Holding Company (and its wholly owned subsidiary, Madison Investors Corporation) beneficially owned 5,364,826 shares of American Independence Corp. common stock, representing approximately 63% of the outstanding shares of American Independence Corp. common stock, based on 8,522,702 shares reported by American Independence Corp.'s transfer agent to be outstanding as of July 1, 2011. In the 60 days prior to the date of this prospectus, neither Independence Holding Company nor any of its affiliates has effected any transactions in the securities of American Independence Corp. Except as set forth in this prospectus, to Independence Holding Company's knowledge, after reasonable inquiry, none of the persons listed on Schedule I hereto, nor any of their respective associates or majority-owned subsidiaries, beneficially owns or has the right to acquire any securities of American Independence Corp. or has effected any transaction in securities of American Independence Corp. during the past 60 days.

Independence Holding Company and Independence American are parties to that certain Investment Counsel Agreement, dated as of January 1, 2011, pursuant to which Independence Holding Company provides advice to Independence American's board of directors regarding investing Independence American's portfolio of investible assets in consideration of an annual fee equal to three-tenths of one percent of the mean value of the portfolio's assets. Either party may terminate this agreement with 30 days' notice to the other.

Independence Holding Company, American Independence Corp. and Madison Investors Corporation are parties to that certain Stock Agreement, dated as of July 30, 2002, the provisions of which that remain in effect (i) give Independence Holding Company the right to appoint certain members of American Independence Corp.'s board of directors and (ii) require certain approvals of the American Independence Corp. board for acquisitions of Company stock.

Source and Amount of Funds

Independence Holding Company estimates that the total amount of cash required to complete the transactions contemplated by the offer, including payment of cash in lieu of fractional shares of Independence Holding Company common stock and payment of fees and expenses related to the transactions, will be approximately \$175,000. Independence Holding Company intends to obtain the funds needed to pay these costs from its available cash.

Fees and Expenses

Independence Holding Company has retained Morrow & Co., LLC, as information agent in connection with the offer. The information agent may contact holders of American Independence Corp. common stock by mail, telephone, telex, telegraph and personal interview and may request brokers, dealers and other nominee stockholders to forward material relating to the offer to beneficial owners of American Independence Corp. common stock. Independence Holding Company will pay the information agent reasonable and customary compensation for these services in addition to reimbursing the information agent for its reasonable out-of-pocket expenses. Independence Holding Company agreed to indemnify the information agent against certain liabilities and expenses in connection with the offer, including certain liabilities under the U.S. federal securities laws.

In addition, Independence Holding Company has retained Broadridge Corporate Issuer Solutions, Inc., as the exchange agent for the offer. Independence Holding Company will pay the exchange agent reasonable and customary

compensation for its services in connection with the offer, will reimburse the exchange agent for its reasonable out-of-pocket expenses and will indemnify the exchange agent against certain liabilities and expenses, including certain liabilities under the U.S. federal securities laws.

Except as set forth above, Independence Holding Company will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of shares pursuant to the offer. Independence Holding Company will reimburse brokers, dealers, commercial banks and trust companies and other nominees, upon request, for customary clerical and mailing expenses incurred by them in forwarding offering materials to their customers.

The following is an estimate of the fees and expenses Independence Holding Company expects to incur in connection with the offer:

Description	Amount
SEC filing fee	\$ 859
Legal fees	\$ 120,000
Accounting fees	\$ 7,500
Information agent fees and expenses	\$ 15,000
Exchange agent fees and expenses	\$ 10,000
Printing and mailing costs	\$ 10,000
Miscellaneous expenses	\$ 10,000
Total expenses	\$ 173,359

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS FOR INDEPENDENCE HOLDING COMPANY

OVERVIEW

Please see the discussion under "BUSINESS OF INDEPENDENCE HOLDING COMPANY" beginning on page 81 of this prospectus for the definitions of certain capitalized terms used in the following discussion that are not otherwise obvious from the context.

Independence Holding Company, a Delaware corporation (NYSE: IHC), is a holding company principally engaged in the life and health insurance business through: (i) its wholly owned insurance companies, Standard Security Life and Madison National Life; (ii) its majority owned insurance company, Independence American; and (iii) its marketing and administrative companies, including managing general underwriters ("MGUs") in which it owns a significant voting interest, IHC Health Solutions, Inc. ("IHC Health Solutions"), Actuarial Management Corporation ("AMC"), MedWatch, LLC and Hospital Bill Analysis, LLC. These companies are sometimes collectively referred to as the "Insurance Group", and IHC and its subsidiaries (including the Insurance Group) are sometimes collectively referred to as the "Company."

IHC's health insurance products serve niche sectors of the commercial market through multiple classes of business and varied distribution channels. Medical Stop-Loss is marketed to large employer groups that self-insure their medical risks; in 2010 the Company's average case size was 350 covered lives. The small-group major medical product is purchased by employers with between two and 50 covered lives. With regard to those persons in the growing individual market, IHC's products offer major medical coverage for individuals and families and persons with short-term medical needs, and limited medical and scheduled benefit plans through select distribution partners. Standard Security Life's limited medical product is primarily purchased by hourly workers and others who are generally not eligible for coverage under their employer's group medical plan. The dental and vision products are marketed to large and small groups as well as individuals. IHC is beginning to sell health and life products for the senior market with select distribution partners. With respect to IHC's life and disability business, Madison National Life has historically sold almost all of this business through one distribution source specializing in serving school districts and municipalities.

While management considers a wide range of factors in its strategic planning and decision-making, underwriting profit is consistently emphasized as the primary goal in all decisions as to whether or not to increase our retention in a core line, expand into new products, acquire an entity or a block of business, or otherwise change our business model. Management's assessment of trends in healthcare and morbidity, with respect to medical stop-loss, fully insured medical, disability and DBL; mortality rates with respect to life insurance; and changes in market conditions in general play a significant role in determining the rates charged, deductibles and attachment points quoted, and the percentage of business retained. IHC also seeks transactions that permit it to leverage its vertically integrated organizational structure by generating fee income from production and administrative operating companies as well as risk income for its carriers and profit commissions. Management has always focused on managing costs of its operations and providing its insureds with the best cost containment tools available.

The following is a summary of key performance information and events:

On March 5, 2010, IHC acquired a controlling interest in AMIC. Upon achieving control AMIC's income and expense amounts became consolidated with IHC's results. Accordingly, the individual line items on the Consolidated Statement of Operations for 2010 reflect approximately ten months of the operations of AMIC with no corresponding amounts for 2009 or 2008.

The results of operations for the years ended December 31, 2010, 2009 and 2008, are summarized as follows (in thousands):

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	2010	2009	2008
Revenues	\$435,368	\$354,838	\$353,687
Expenses	399,116	372,940	394,664
Income (loss) from continuing operations before income taxes	36,252	(18,102)	(40,977)
Income taxes (benefits)	12,583	(10,669)	(16,399)
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 income (loss) attributable to IHC	\$21,737	\$(7,122)	\$(23,840)

• Income from continuing operations of \$1.44 per share, diluted, for the year ended December 31, 2010 compared to a loss of \$.48 per share, diluted, for the year ended December 31, 2009. Net income for 2010 includes a \$16.7 million after-tax gain on the bargain purchase of AMIC. Net income for 2009 includes a \$16.8 million after-tax loss resulting from an other-than-temporary impairment related to the Company's investment in AMIC due to the length of time, and the magnitude of the amount by which the quoted market price of AMIC had been below IHC's carrying value;

- Consolidated investment yield (on an annualized basis) of 4.6% in 2010 as compared to 5.1% in 2009;
- Book value of \$15.14 per common share; a 15% increase from December 31, 2009, primarily reflecting net income (including gain on bargain purchase) and net unrealized gains on securities;

The following is a summary of key performance information by segment:

- The Medical Stop-Loss segment reported income from continuing operations before taxes of \$1.9 million and \$3.7 million for the years ended December 31, 2010 and 2009, respectively. The decrease is primarily attributable to the cancellation of underperforming managing general underwriters and market conditions;
- Premiums earned decreased \$6.5 million for the year ended December 31, 2010 when compared to 2009. Excluding \$32.9 million of earned premiums related to the consolidation of AMIC's results for the year ended December 31, 2010, premiums earned decreased \$39.4 million, due to reduced production volume for the reasons stated above;
- Combined ratios for the year ended December 31, 2010 include reported stop-loss combined ratios from AMIC of 100.1%, as adjusted for purchase accounting;
- Underwriting experience, as indicated by its GAAP Combined Ratios, for the Medical Stop-Loss segment is as follows (in thousands):

	2010	2009	2008
Premiums Earned	\$ 121,156	\$ 127,724	\$ 159,392
Insurance Benefits, Claims & Reserves	89,968	92,899	117,076
Expenses	32,404	34,069	40,918
Loss Ratio(A)	74.3 %	72.7 %	73.4 %
Expense Ratio (B)	26.7 %	26.7 %	25.7 %

Combined Ratio (C)	101.0	%	99.4	%	99.1	%
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(A) Loss ratio represents insurance benefits claims and reserves divided by premiums earned.

(B) Expense ratio represents net commissions, administrative fees, premium taxes and other underwriting expenses divided by premiums earned.

(C) The combined ratio is equal to the sum of the loss ratio and the expenses ratio.

- The Fully Insured Health segment reported \$3.1 million of income from continuing operations before taxes for the year ended December 31, 2010 as compared to a loss before taxes of \$7.8 million for the year ended December 31, 2009;
- Fee and other income from this segment decreased by \$1.9 million for the year ended December 31, 2010 compared to 2009. Excluding \$4.1 million attributable to the consolidation of AMIC, fee and other income decreased by \$6.0 million primarily due to a decrease in non-IHC carrier business administered by IHC Administrative Services and reduced profit commissions from the comparable period in 2009;
 - Excluding \$10.2 million attributable to the consolidation of AMIC, the Fully Insured Health segment experienced decreases in other general expenses of \$9.6 million, due to its lower volume of business;
- In 2009, this segment wrote-off \$5.1 million of previously capitalized software. The Company had been working with a software developer on this project for a number of years in order to improve the Company's administrative efficiency as it sought in prior years to quickly expand its premiums under management. During testing of the software, it was determined that the system was not capable of administering the Company's lines of business as is and it would take a substantial additional investment to implement. As a result of our decision to reduce the speed of our expansion in this segment, the Company determined not to continue to expend capital on this software. The termination of this project did not impact the Company's ability to service its business;
- Underwriting experience as indicated by its GAAP Combined Ratios, for the Fully Insured segment is as follows (in thousands):

	2010	2009	2008		
Premiums Earned	\$ 120,818	\$ 84,698	\$ 81,020		
Insurance Benefits, Claims & Reserves	81,676	58,500	51,559		
Expenses	35,192	25,634	24,351		
Loss Ratio	67.6	69.1	63.6	%	%
Expense Ratio	29.1	30.2	30.1	%	%
Combined Ratio	96.7	99.3	93.7	%	%

- Income before taxes from the Group disability, life, annuities and DBL segment decreased \$0.5 million for the year ended December 31, 2010 compared to 2009. The LTD line experienced higher profitability in 2010 which was more than offset by higher death claims experienced by group term life primarily in the first quarter of 2010;
- Income before taxes from the Individual life, annuities and other segment decreased \$4.1 million for the year ended December 31, 2010 compared to the prior year primarily as a result of a commutation of reserves in 2009 and decreased investment income in 2010;
- Income before taxes from the Corporate segment increased \$26.9 million for the year ended December 31, 2010 compared to the prior year primarily due to inclusion of a \$27.8 million gain as a result of the March 2010 acquisition of a controlling interest in AMIC;
- Net realized investment gains were \$4.6 million for the year ended December 31, 2010 compared to net realized investment gains of \$8.8 million in 2009. Other-than-temporary impairment losses for the years ended December 31, 2010 and 2009 were \$3.8 million and \$30.0 million, respectively. In 2009 the Company recorded a \$29.2 million pre-tax loss resulting from an other-than-temporary related to the Company's investment in AMIC due to the length of time, and the magnitude of the amount by which the quoted market price of AMIC has been below IHC's carrying value; and
 - Premiums by principal product for the years indicated are as follows (in thousands):

Gross Direct and Assumed Earned Premiums:	2010	2009	2008
Medical Stop-Loss	\$ 161,530	\$ 202,056	\$ 253,886
Fully Insured Health	207,409	190,895	199,378
Group disability; life, annuities and DBL	102,986	103,499	78,517
Individual life, annuities and other	34,549	31,096	32,338
	\$ 506,474	\$ 527,546	\$ 564,119
Net Premiums Earned:	2010	2009	2008
Medical Stop-Loss	\$ 121,156	\$ 127,724	\$ 159,392
Fully Insured Health	120,818	84,698	81,020
Group disability; life, annuities and DBL	55,828	54,896	46,957
Individual life, annuities and other	28,344	27,481	29,919
	\$ 326,146	\$ 294,799	\$ 317,288

Information pertaining to the Company's business segments is provided in Note 22 of Notes to Consolidated Financial Statements included in this prospectus.

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform to U.S. GAAP. The preparation of the Consolidated Financial Statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. A summary of the Company's significant accounting policies and practices is provided in Note 1 of the Notes to the Consolidated Financial Statements included in this prospectus. Management has identified the accounting policies described below as those that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of the Company's Consolidated Financial Statements and this Management's Discussion and Analysis.

Insurance Premium Revenue Recognition and Policy Charges

Life

Traditional life insurance products consist principally of products with fixed and guaranteed premiums and benefits, primarily term and whole life insurance products. Premiums from these products are recognized as revenue when due.

Annuities and interest-sensitive life contracts, such as universal life and interest-sensitive whole life, are contracts whose terms are not fixed and guaranteed. Premiums from these policies are reported as funds on deposit. Policy charges consist of fees assessed against the policyholder for cost of insurance (mortality risk), policy administration and early surrender. These revenues are recognized when assessed against the policyholder account balance.

Policies that do not subject the Company to significant risk arising from mortality or morbidity are considered investment contracts. Deposits received from such contracts are reported as other policyholder funds. Policy charges for investment contracts consist of fees assessed against the policyholder account for maintenance, administration and surrender of the policy prior to contractually specified dates, and are recognized when assessed against the

policyholder account balance.

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Health

Premiums for short-duration medical insurance contracts are intended to cover expected claim costs resulting from insured events that occur during a fixed period of short duration. The Company has the ability to cancel the annual contract or to revise the premium rates at the beginning of each annual contract period to cover future insured events. Insurance premiums from annual health contracts are collected monthly and are recognized as revenue evenly as insurance protection is provided.

Premiums related to long-term and short-term disability contracts are recognized on a pro rata basis over the applicable contract term.

Insurance Reserves

The Company maintains loss reserves to cover its estimated liability for unpaid losses and loss adjustment expenses, where material, (including legal, other fees, and costs not associated with specific claims but related to the claims payment function) 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 GAAP. The Company's estimate of loss reserves represents management's best estimate of the Company's liability at the balance sheet date.

Loss reserves differ for short-duration and long-duration insurance policies, including annuities. 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 the Company'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.

Management believes that the Company's methods of estimating the liabilities for insurance reserves provided appropriate levels of reserves at December 31, 2010. Changes in the Company's reserve estimates are recorded through a charge or credit to its earnings.

Life

For traditional life insurance products, the Company computes insurance reserves primarily using the net premium method based on anticipated investment yield, mortality, and withdrawals. These methods are widely used in the life insurance industry to estimate the liabilities for insurance reserves. Inherent in these calculations are management and actuarial judgments and estimates that could significantly impact the ending reserve liabilities and, consequently, operating results. Actual results may differ, and these estimates are subject to interpretation and change.

Policyholder funds represent interest-bearing liabilities arising from the sale of products, such as universal life, interest-sensitive life and annuities. Policyholder funds are comprised primarily of deposits received and interest credited to the benefit of the policyholder less surrenders and withdrawals, mortality charges and administrative expenses.

Interest Credited

Interest credited to policyholder funds represents interest accrued or paid on interest-sensitive life policies and investment policies. Amounts charged to operations (including interest credited and benefit claims incurred in excess of related policyholder account balances) are reported as insurance benefits, claims and reserves-life and annuity. Credit rates for certain annuities and interest-sensitive life policies are adjusted periodically by the Company to reflect current market conditions, subject to contractually guaranteed minimum rates.

Health

The Company believes that its recorded insurance reserves are reasonable and adequate to satisfy its ultimate liability. The Company primarily uses its own loss development experience, but will also supplement that with data from its outside actuaries, reinsurers and industry loss experience as warranted. To illustrate the impact that Loss Ratios have on the Company's loss reserves and related expenses, each hypothetical 1% change in the Loss Ratio for the health business (i.e., the ratio of insurance benefits, claims and settlement expenses to earned health premiums) for the year ended December 31, 2010, would increase reserves (in the case of a higher ratio) or decrease reserves (in the case of a lower ratio) by approximately \$2.9 million with a corresponding increase or decrease in the pre-tax expense for insurance benefits, claims and reserves in the Consolidated Statement of Operations. Depending on the circumstances surrounding a change in the Loss Ratio, other pre-tax amounts reported in the Consolidated Statement of Operations could also be affected, such as amortization of deferred acquisition costs and commission expense.

The Company's health reserves by segment are as follows (in thousands):

	December 31, 2010		
	Claim Reserves	Policy Claims	Total Health Reserves
Medical Stop-Loss	\$ 64,221	\$ 117	\$ 64,338
Fully Insured Health	34,540	-	34,540
Group Disability	74,675	15,958	90,633
Individual Accident and Health and Other	8,011	446	8,457
	\$ 181,447	\$ 16,521	\$ 197,968

	December 31, 2009		
	Claim Reserves	Policy Claims	Total Health Reserves
Medical Stop-Loss	\$ 71,387	\$ 117	\$ 71,504
Fully Insured Health	34,817	-	34,817
Group Disability	67,887	16,705	84,592
Individual Accident and Health and Other	10,055	1,833	11,888
	\$ 184,146	\$ 18,655	\$ 202,801

Medical Stop-Loss

All of the Company's Medical Stop-Loss policies are short-duration and are accounted for based on actuarial estimates of the amount of loss inherent in that period's claims or open claims from prior periods, 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.

The two "primary" 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"). The Company 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. The Company has concluded that a reasonably likely change in the Projected Net Loss Ratio assumption could have a material effect on the Company'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 the Company's best estimate of future performance until such time as developing losses provide a better indication of ultimate results.

While the Company establishes a best estimate of the Projected Net Loss Ratio, actual experience may deviate from this estimate. This was the case with the 2007, 2008 and 2009 underwriting years which deviated by 5.7, 3.4 and 4.3 Net Loss Ratio points, respectively. After the recorded reserve increase, it is reasonably likely that the actual experience will fall within a range up to five Net Loss Ratio points above or below the expected Projected Net Loss Ratio for the 2010 underwriting year at December 31, 2010. The impact of these reasonably likely changes at December 31, 2010, would be an increase in net reserves (in the case of a higher ratio) or a decrease in net reserves (in the case of a lower ratio) of up to approximately \$2.4 million with a corresponding increase or decrease in the pre-tax expense for insurance benefits, claims and reserves in the 2010 Consolidated Statement of Operations.

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 the Company's underwriting guidelines. Changes in these underlying factors are what determine the reasonably likely changes in the Projected Net Loss Ratio as discussed above.

Claim Development Patterns

Subsequent to the first twelve months of an underwriting year, the Company'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. The Company must determine whether changes in development represent true indications of emerging experience or are simply due to random claim fluctuations.

The Company 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. The Company does not believe that reasonably likely changes in its actual claim development patterns would have a Material Effect.

Predicting ultimate claims and estimating reserves in Medical Stop-Loss is more complex than fully insured 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. Liabilities for first dollar medical reserves and disability coverages are computed using completion factors and expected Net Loss Ratios derived from actual historical premium and claim data.

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, the Company maintains its reserves based on underlying assumptions until it determines that an adjustment is appropriate based on emerging experience from all of its MGUs for prior underwriting years.

Fully Insured Health

Reserves for fully insured medical and dental business are established using historical claim development patterns. Claim development by number of months elapsed from the incurred month is studied each month and development factors are calculated. These claim development factors are then applied to the amount of claims paid to date for each incurred month to estimate fully complete claims. The difference between fully complete claims and the claims paid to date is the estimated reserve. Total reserves are the sum of the reserves for all incurred months.

The primary assumption in the determination of fully insured reserves is that historical claim development patterns tend to be representative of future claim development patterns. Factors which may affect this assumption include changes in claim payment processing times and procedures, changes in product design, changes in time delay in submission of claims, and the incidence of unusually large claims. 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 minimal. The time delay in submission of claims tends to be stable over time and not subject to significant volatility. Since our analysis considered a variety of outcomes related to these factors, the Company does not believe that any reasonably likely change in these factors will have a Material Effect.

Group Disability

The Company’s Group Disability segment is comprised of Long Term Disability (“LTD”) and Disability Benefits Law (“DBL”). The two “primary” assumptions on which Group Disability reserves are based are: (i) morbidity levels; and (ii) recovery rates. If morbidity levels increase, for example due to an epidemic or a recessionary environment, the Company would increase reserves because there would be more new claims than expected. In regard to the assumed recovery rate, if disabled lives recover more quickly than anticipated then the existing claims reserves would be reduced; if less quickly, the existing claims reserves would be increased. Advancements in medical treatments could affect future recovery, termination, and mortality rates. With respect to LTD only, other assumptions are: (i) changes in market interest rates; (ii) changes in offsets; (iii) advancements in medical treatments; and (iv) cost of living. Changes in market interest rates could change reserve assumptions since the payout period could be as long as 40 years. Changes in offsets such as Social Security benefits, retirement plans and state disability plans also impact reserving. As a result of the forgoing assumptions, it is possible that the historical trend may not be an accurate predictor of the future development of the block. As with most long term insurance reserves that require judgment, the reserving process is subject to uncertainty and volatility and fluctuations may not be indicative of the claim development overall.

While the Company believes that larger variations are possible, the Company does not believe that reasonably likely changes in its “primary” assumptions would have a Material Effect.

Individual Accident and Health and Other

This segment is a combination of closed lines of business as well as certain small existing lines. While the assumptions used in setting reserves vary between these different lines of business, the assumptions would generally relate to the following: (i) the rate of disability; (ii) the morbidity rates on specific diseases; and (iii) accident rates. The reported reserves are based on management’s best estimate for each line within this segment. General uncertainties that surround all insurance reserving methodologies would apply. However, since the Company has so few policies of this type, volatility may occur due to the small number of claims.

Deferred Acquisition Costs

Costs that vary with and are primarily related to acquiring insurance policies and investment type contracts are deferred and recorded as deferred policy acquisition costs (“DAC”). These costs are principally broker fees, agent commissions, and the purchase prices of the acquired blocks of insurance policies and investment type contracts. DAC is amortized to expense and reported separately in the Consolidated Statements of Operations. All DAC within a particular product type is amortized on the same basis using the following methods:

For traditional life insurance and other premium paying policies amortization of DAC is charged to expense over the related premium revenue recognition period. Assumptions used in the amortization of DAC are determined based upon the conditions as of the date of policy issue or assumption and are not generally revised during the life of the policy.

For long duration type contracts, such as annuities and universal life business, amortization of DAC is charged to expense over the life of the underlying contracts based on the present value of the estimated gross profits (“EGPs”) expected to be realized. EGPs consist of margins based on expected mortality rates, persistency rates, interest rate spreads, and other revenues and expenses. The Company regularly evaluates its EGPs to determine if actual experience or other evidence suggests that earlier estimates should be revised. If the Company determines that the current assumptions underlying the EGPs are no longer the best estimate for the future due to changes in actual versus expected mortality rates, persistency rates, interest rate spreads, or other revenues and expenses, the future EGPs are updated using the new assumptions and prospective unlocking occurs. These updated EGPs are utilized for future amortization calculations. The total amortization recorded to date is adjusted through a current charge or credit to the Consolidated Statement of Operations.

Internal replacements of insurance and investment contracts determined to result in a replacement contract that is substantially changed from the original contract, will be accounted for as an extinguishment of the original contract, resulting in a release of the unamortized deferred acquisition costs, unearned revenue, and deferred sales inducements associated with the replaced contract.

Investments

The Company has classified all of its investments as either available-for-sale or trading securities. These investments are carried at fair value with unrealized gains and losses reported in accumulated other comprehensive income (loss) in the Consolidated Balance Sheets for available-for-sale securities or as unrealized gains or losses in the Consolidated Statements of Operations for trading securities. Fixed maturities and equity securities available-for-sale totaled \$841.7 million and \$750.7 million at December 31, 2010 and 2009, respectively. 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. Net realized gains and losses on investments are computed using the specific identification method and are reported in the Consolidated Statements of Operations.

Fair value is determined using quoted market prices when available. In some cases, we use 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, we use industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on management assumptions and available current market information. Further, we retain independent pricing vendors to assist in valuing certain instruments.

Declines in value of securities available-for-sale that are judged to be other-than-temporary are determined based on the specific identification method. The Company reviews its investment securities regularly and determines whether other-than-temporary impairments have occurred. 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; the Company'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. For fixed maturities, if the Company intends to sell a security, or it is more likely than not that it will be required to sell the security prior to recovery of the security's amortized cost basis, the entire difference between the security's amortized cost basis and its fair value at the balance sheet date is 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) the Company 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, the Company 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 Statement 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 Sheet.

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 the Company'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 Statements of Operations. 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 require the use of the equity model in analyzing the security for other-than-temporary impairment.

Goodwill and Other Intangible Assets

Goodwill carrying amounts are evaluated for impairment, at least annually, at the reporting unit level which is equivalent to an operating segment. If the fair value of a reporting unit is less than its carrying amount, further evaluation is required to determine if a write-down of goodwill is required. In determining the fair value of each reporting unit, we used an income approach, applying a discounted cash flow method which included a residual value. Based on historical experience, we make 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 the reporting unit. Any impairment of goodwill would be charged to expense. No impairment charge for goodwill was required in 2010 or 2008. At December 31, 2009, the Company wrote-off \$4.2 million of goodwill in connection with an other-than-temporary impairment loss related to its then equity method investment in AMIC. During 2010, the Company obtained a controlling interest in AMIC. See Note 2 in the Notes to Consolidated Financial Statements included in this prospectus for further information.

Other intangible assets are amortized to expense over their estimated useful lives and are subject to impairment testing. Any impairment write-down of other intangible assets would be charged to expense. For the year ended December 31, 2009, selling, general and administrative expenses include the write-off of \$5.1 million of previously capitalized software. See Note 11 in the Notes to Consolidated Financial Statements included in this prospectus for further information regarding the impairment loss in 2009. No impairment charges for intangible assets were required in 2010 or 2008.

At December 31, 2010, the Company's market capitalization was less than its book value indicating a potential impairment of goodwill. As a result, the Company assessed the factors contributing to the performance of IHC stock in 2010. The Company does not believe that an impairment of goodwill exists at this time.

If we experience a sustained decline in our results of operations and cash flows, or other indicators of impairment exist, we may incur a material non-cash charge to earnings relating to impairment of our goodwill, which could have a material adverse effect on our results.

Deferred Income Taxes

The provision for deferred income taxes is based on the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recognized by applying enacted statutory tax rates to temporary differences between amounts reported in the Consolidated Financial Statements and the tax bases of existing assets and liabilities. A valuation allowance is recognized for the portion of deferred tax assets that, in management's judgment, is not likely to be realized. The effect on deferred income taxes of a change in tax rates or laws is recognized in income tax expense in the period that includes the enactment date. The Company has certain tax-planning strategies that were used in determining that a valuation allowance was not necessary on its deferred taxes.

RESULTS OF OPERATIONS

Results of Operations for the Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009

Information by business segment for the year ended December 31, 2010 and 2009 is as follows:

December 31, 2010 (In thousands)	Premiums Earned	Net Investment Income	Equity Income From AMIC	Fee and Other Income	Benefits, Claims and Reserves	Amortization of Deferred Acquisition Costs	Selling, General and Administrative	Total
Medical stop-loss	\$ 121,156	4,080	14	5,404	89,968	-	38,808	\$ 1,878
Fully Insured	120,818	1,454	244	28,168	81,676	28	65,854	3,126
Group disability, life, annuities and DBL	55,828	9,668	22	454	41,440	497	17,389	6,646
Individual life, annuities and other	28,344	25,839	-	4,458	38,234	5,718	12,472	2,217
Corporate	-	760	-	27,830	-	-	5,120	23,470
Sub total	\$ 326,146	\$ 41,801	\$ 280	\$ 66,314	\$ 251,318	\$ 6,243	\$ 139,643	37,337
Net realized investment gains								4,646
Other-than-temporary impairment losses								(3,819)
Interest expense								(1,912)
Income from continuing operations before income taxes								36,252
Income taxes								12,583
Income from continuing operations								\$ 23,669
December 31, 2009 (In thousands)	Premiums Earned	Net Investment Income	Equity Income From AMIC	Fee and Other Income	Benefits, Claims and Reserves	Amortization of Deferred Acquisition Costs	Selling, General and Administrative	Total
Medical stop-loss	\$ 127,724	3,690	786	921	92,899	-	36,513	\$ 3,709
Fully Insured	84,698	789	387	30,101	58,500	28	65,255	(7,808)
Group disability, life, annuities and DBL	54,896	9,657	116	323	39,270	364	18,251	7,107
Individual life, annuities and other	27,481	28,070	-	5,087	34,565	5,127	14,644	6,302
Corporate	-	1,314	-	-	-	-	4,707	(3,393)
Sub total	\$ 294,799	\$ 43,520	\$ 1,289	\$ 36,432	\$ 225,234	\$ 5,519	\$ 139,370	5,917
Net realized investment losses								8,789
Other-than-temporary impairment losses								(29,991)
Interest expense								(2,817)

Loss from continuing operations before income tax benefits	(18,102)
Income tax benefits	(10,669)
Loss from continuing operations	\$ (7,433)

Acquisition of AMIC

On March 5, 2010, IHC acquired a controlling interest in AMIC as a result of the purchase of AMIC common stock in the open market. In determining the bargain purchase gain with regard to the acquisition of the controlling interest in AMIC, IHC first recognized a gain of \$2.2 million as a result of re-measuring its equity interest in AMIC to its fair value of \$22.0 million immediately before the acquisition based on the closing market price of AMIC's common stock. Then, upon the acquisition of a controlling interest on March 5, 2010, the Company consolidated the net assets of AMIC. Accordingly, the Company determined the fair value of the identifiable assets acquired and liabilities assumed from AMIC on such date. The fair value of the net assets acquired exceeded the sum of: (i) the fair value of the consideration paid; (ii) the fair value of IHC's equity investment prior to the acquisition; and (iii) the fair value of the noncontrolling interests in AMIC, resulting in a bargain purchase gain of \$25.6 million. The total gain, amounting to \$27.8 million pre-tax, is included in gain on bargain purchase of AMIC on the Company's Consolidated Statement of Operations. This gain is a result of the quoted market price of AMIC being significantly less than the fair value of the net assets of AMIC. This disparity is due to the low trading volume in AMIC shares, and a discount on the shares traded due to a lack of control by minority stockholders. The fair value of the noncontrolling interests in AMIC was based on the closing market price of AMIC's common stock.

Prior to obtaining control, IHC recorded its investment in AMIC using the equity method. IHC recorded changes in its investment in AMIC in the "Equity income from AMIC" line in the Consolidated Statements of Operations. Upon achieving control, on March 5, 2010, AMIC's income and expense amounts became consolidated with IHC's results. Accordingly, the individual line items on the Consolidated Statement of Operations for 2010 reflect approximately ten months of the operations of AMIC with no corresponding amounts for 2009.

Premiums Earned

Premiums earned in 2010 include \$61.6 million of earned premiums related to the consolidation of AMIC with no comparable amounts in 2009. Excluding these amounts, earned premiums in 2010 decreased by \$30.3 million compared to 2009. The decrease is primarily due to: (i) a \$39.5 million decrease in the Medical Stop-Loss segment primarily due to reduced production from the termination of certain non-owned managing general underwriters and market conditions; and (ii) a \$1.8 million decrease in the Group disability, life, annuities and DBL segment primarily resulting from a \$1.3 million decrease in group term life business, a \$1.8 million net decrease in point of service and other lines of this segment, offset by an increase of 1.3 million in the LTD line due to new business written; partially offset by (iii) a \$10.1 million increase in premiums earned in the Fully Insured Health segment comprised primarily of a \$4.0 million increase in dental premiums and a \$4.4 million increase in small group premiums as a result of both increased production and increased retention, and a \$4.2 million net increase in other lines of this segment due to increased production, principally in the limited medical and vision lines, offset by a \$2.5 million decrease in student accident premiums as a result of the cancellation of a producer of this product; and (iv) a \$.9 million increase in premiums earned in the Individual life, annuities and other segment.

Net Investment Income

Total net investment income decreased \$1.7 million. The overall annualized investment yields were 4.6% and 5.1% (approximately 4.8% and 5.3%, on a tax advantaged basis) for 2010 and 2009, respectively. The annualized investment yields on bonds, equities and short-term investments were 4.5% and 4.9% in 2010 and 2009, respectively. The decrease in investment income is due to a decrease in yields and the shorter duration of our portfolio. IHC has approximately \$164.5 million in highly rated shorter duration securities earning on average 1.4%. A portfolio that is shorter in duration enables us, if we deem prudent, the flexibility to reinvest in higher yielding longer-term securities in an increasing interest rate environment.

Net Realized Investment Gains and Other-Than-Temporary Impairment Losses, Net

Net realized investment gains decreased \$4.2 million in 2010. These amounts include gains and losses from sales of fixed maturities and equity securities available-for-sale, trading securities and other investments. Decisions to sell securities are based on management's ongoing evaluation of investment opportunities and economic and market conditions, thus creating fluctuations in gains and losses from period to period. Net realized investment gains in 2010 were reduced by an additional loss of \$3.3 million resulting from discussions in the fourth quarter of 2010 with the trustee in bankruptcy pertaining to the resolution of claims related to the non-affiliate broker-dealer that managed the trading accounts of the Company in 2008. The \$3.3 million pre-tax loss consisted of: (i) the reversal of \$.5 million of anticipated SIPC recoveries initially recorded by a subsidiary of IHC; (ii) the reversal of \$.5 million of anticipated SIPC recoveries initially recorded by AMIC; and (iii) an additional \$2.3 million of withdrawals by IHC and AMIC deemed subject to return. A settlement agreement was entered into with the trustee in the first quarter of 2011 and payment by the Company is expected to be made on or before July, 15, 2011. See Note 8 in the Notes to Consolidated Financial Statements included in this prospectus for more information about net realized investment gains and losses.

Other-than-temporary impairment losses in 2010 consist of \$3.1 million of credit losses resulting from expected cash flows of debt securities that are less than the debt securities' amortized cost and \$.7 million resulting from the Company's intent to sell certain municipal debt securities prior to the recovery of their amortized cost bases. Other-than-temporary impairment losses in 2009 consist of \$29.2 million related to an other-than-temporary impairment of the Company's investment in AMIC due to the length of time, and the magnitude of the amount by which the quoted market price of AMIC was below IHC's carrying value and \$.8 million resulting from the Company's intent to sell certain securities prior to the recovery of their amortized cost bases. See the discussion above related to the offsetting bargain purchase gain related to the acquisition of AMIC in March 2010.

Fee Income and Other Income

Fee income in 2010 includes \$5.8 million of fee income related to the consolidation of AMIC with no comparable amounts in 2009. Excluding these amounts, fee income in 2010 decreased by \$2.4 million compared to 2009. The decrease is primarily a result of decreased profit commissions and a lower volume of other fully-insured business administered by IHC Administrative Services.

Excluding amounts generated by AMIC, other income in 2010 decreased by \$1.4 million compared to 2009. In 2009, other income includes income resulting from the commutation of a block of business.

Insurance Benefits, Claims and Reserves

Benefits, claims and reserves in 2010 include \$42.0 million of benefits, claims and reserves related to the consolidation of AMIC with no comparable amounts in 2009. Excluding these amounts, benefits, claims and reserves in 2010 decreased by \$15.9 million compared to 2009. The decrease is primarily attributable to: (i) a \$26.8 million decrease in the Medical Stop-Loss segment, largely resulting from a decrease in premiums earned; partially offset by (ii) an increase of \$6.6 million in the Fully Insured Health segment, principally due to increases in claims and reserves on dental, small group, short term medical, limited medical and vision lines of business partially offset by a decrease in student accident reserves as a result of a lower volume of business; (iii) a \$3.7 million increase in the Individual life, annuity and other segment primarily resulting from an increase in individual annuity contracts in 2010 and an increase in ordinary life and annuities over 2009 levels due to the commutation of reserves in 2009; and (iv) an increase of \$.6 million in the Group disability, life, annuities and DBL segment largely as a result of higher claims on the group term life line of business offset by a decrease in the point of service line.

Amortization of Deferred Acquisition Costs

Amortization of deferred acquisition costs increased \$.7 million.

Interest Expense on Debt

Interest expense decreased \$.9 million primarily as a result of principal repayments and lower interest rates.

Selling, General and Administrative Expenses

Selling, general and administrative expenses in 2010 include \$23.1 million of AMIC related expenses with no comparable amounts in 2009. Excluding AMIC expenses, total selling, general and administrative expenses in 2010 decreased by \$22.9 million compared to 2009. The decrease is primarily due to: (i) an \$8.6 million decrease in commissions and other general expenses in the Medical Stop-Loss segment due to a decrease in volume as a result of reduced production; (ii) an \$9.6 million decrease in the Fully Insured Health segment largely due to a decrease in general expenses as a result of lower business volume and a reduction in work force, (iii) a \$1.6 million decrease in the Group disability, life, annuities and DBL segment primarily due to decreased premiums in the group term life and point of service lines; (iv) a \$2.2 million decrease in commission, other general and administrative expenses associated with the Individual life, annuities and other segment, partially related to the ceding of a block of life and annuity business in 2009; and (v) a \$.9 million decrease in corporate general and administrative expenses.

Income Taxes

Income tax expense increased primarily as the result of the gain recorded on the acquisition of a controlling interest in AMIC in the first quarter of 2010. The effective tax rate was 34.8% for the year ended 2010 compared to (59.0%) for the year ended 2009. In 2009, the effective tax rate is the result of (i) tax expense on pre-tax income generated by the life companies; more than offset by (ii) tax benefits derived from tax exempt interest and dividend received deductions as a result of the Company's investments in both state and political subdivisions and preferred securities; and (iii) tax benefits on pre-tax losses from the non-life businesses which have higher effective rates due to state tax benefits.

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Results of Operations for the Year Ended December 31, 2009 Compared to the Year Ended December 31, 2008

Information by business segment for the years ended December 31, 2009 and 2008 is as follows:

December 31, 2009 (In thousands)	Premiums Earned	Net Investment Income	Equity Income From AMIC	Fee and Other Income	Benefits, Claims and Reserves	Amortization of Deferred Acquisition Costs	Selling, General and Administrative	Total
Medical stop-loss	\$ 127,724	3,690	786	921	92,899	-	36,513	\$3,709
Fully Insured	84,698	789	387	30,101	58,500	28	65,255	(7,808)
Group disability, life, annuities and DBL	54,896	9,657	116	323	39,270	364	18,251	7,107
Individual life, annuities and other	27,481	28,070	-	5,087	34,565	5,127	14,644	6,302
Corporate	-	1,314	-	-	-	-	4,707	(3,393)
Sub total	\$ 294,799	\$ 43,520	\$ 1,289	\$ 36,432	\$ 225,234	\$ 5,519	\$ 139,370	5,917
Net realized investment losses								8,789
Other-than-temporary impairment losses								(29,991)
Interest expense								(2,817)
Loss from continuing operations before income tax benefits								(18,102)
Income tax benefits								(10,669)
Loss from continuing operations								\$(7,433)
December 31, 2008 (In thousands)	Premiums Earned	Net Investment Income	Equity Income From AMIC	Fee and Other Income	Benefits, Claims and Reserves	Amortization of Deferred Acquisition Costs	Selling, General and Administrative	Total
Medical stop-loss	\$ 159,392	4,273	338	1,282	117,076	-	43,823	\$4,386
Fully Insured	81,020	895	96	39,184	51,559	80	69,057	499
Group disability, life, annuities and DBL	46,957	10,323	46	338	33,718	149	16,441	7,356
Individual life, annuities and other	29,919	31,306	-	1,716	38,184	6,116	11,824	6,817
Corporate	-	(2,753)	-	3	-	-	2,861	(5,611)
Sub total	\$ 317,288	\$ 44,044	\$ 480	\$ 42,523	\$ 240,537	\$ 6,345	\$ 144,006	13,447
Net realized investment gains								(12,401)
Other-than-temporary impairment losses								(38,247)
Interest expense								(3,776)
Income from continuing operations before income taxes								(40,977)
Income taxes								(16,399)
Income from continuing operations								\$(24,578)

Premiums Earned

The decrease in premiums earned is largely due to: (i) the Medical Stop-Loss segment which decreased \$31.7 million, primarily due to reduced production from stricter underwriting guidelines and the termination of certain managing general underwriters; and (ii) the individual life, annuities and other segment which decreased \$2.4 million, primarily due to the ceding and commutation of certain ordinary life and annuity business during 2009, slightly offset by an increase in premiums due to the 2008 acquisition; offset by (iii) the Fully Insured Health segment which had a \$3.7 million increase in premiums to \$84.7 million in 2009 compared to \$81.0 million in 2008, comprised primarily of a \$4.2 million increase in dental premiums as a result of increased production, a \$1.8 million increase in small group premiums earned as a result of new production sources and increased retention, offset by a \$3.5 million decrease in student accident premiums as a result of the cancellation of a producer of this product and a \$1.2 million net increase in all other lines of this segment due to increase retention; and (iv) a \$7.9 million increase in the group disability, life, annuities and DBL segment primarily from the LTD line due to an increase in retention and new business written.

Net Investment Income

Total net investment income decreased \$.5 million primarily due to a decrease in assets due to the ceded block of life and annuity business. The overall annualized investment yields were 5.1% and 4.9% (approximately 5.3% and 5.0%, on a tax advantaged basis) for the years ended December 31, 2009 and 2008, respectively. The annualized investment yields on bonds, equities and short-term investments were 4.9% and 5.2% for the years ended December 31, 2009 and 2008, respectively. A decrease in interest and dividend income, as a result of a reallocation of the investment portfolio towards more liquid assets during 2009, was more than offset by a decrease in losses from partnership investments. In addition, the Company experienced unprecedented pre-payments in GNMA's during the second quarter of 2009 resulting in significantly reduced yields on such investments.

Net Realized Investment Gains and Other-Than-Temporary Impairment Losses, Net

Net realized investment gains increased \$21.2 million to \$8.8 million in 2009 compared to losses of \$12.4 million in 2008. These amounts include gains and losses from sales of fixed maturities and equity securities available-for-sale, as well as trading securities and other investments. Decisions to sell securities are based on management's ongoing evaluation of investment opportunities and economic and market conditions, thus creating fluctuations in gains and losses from period to period. In 2008, the Company became aware of certain activities engaged in by the non-affiliate broker-dealer that managed the trading accounts of the Company. The Company reduced the value of the assets held in such accounts to their estimated recoverable amounts. As a result, the Company recorded a \$6.8 million pre-tax loss, net of expected recoveries, in the fourth quarter of 2008 related to such accounts. See Note 8 in the Notes to Consolidated Financial Statements included in this prospectus for more information about net realized investment gains and losses.

Other-than-temporary impairment losses in 2009 consist of \$29.2 million related to an other-than-temporary impairment of the Company's investment in AMIC due to the length of time, and the magnitude of the amount by which the quoted market price of AMIC had been below IHC's carrying value and \$.8 million resulting from the Company's intent to sell certain securities prior to the recovery of their amortized cost bases. For the year ended December 31, 2008, the Company recorded pretax losses of \$38.2 million from other-than-temporary impairments due to the write-down in value of investments in preferred stocks of certain financial institutions and fixed maturities (primarily Alt-A mortgage securities) primarily due to the severity of the decrease in fair value and length of time that these securities were in a loss position.

Fee Income and Other Income

Fee income decreased \$10.4 million primarily as a result of a decrease in gross premiums from the small group line of business in the Fully Insured Health segment due in part to stricter underwriting guidelines and downward pressure on enrollment due to the recession and due to a decrease in other business administered by IAC.

Total other income increased \$4.2 million primarily due to (i) income resulting from the commutation, in 2009, of a block of business, (ii) administrative fees associated with a coinsurance agreement, and (iii) deferred gain amortization associated with a block of ordinary life and annuities business ceded in second quarter of 2009.

Insurance Benefits, Claims and Reserves

Benefits, claims and reserves decreased \$15.3 million. The decrease is primarily due to: (i) a decrease of \$24.2 million in the Medical Stop-Loss segment, primarily resulting from a decrease in premiums earned; (ii) a \$3.6 million decrease in the individual life, annuities and other segment primarily resulting from the commutation of reserves in the third quarter of 2009 and the ceding of a block of ordinary life and annuity policies in 2009; offset by (iii) an increase of \$6.9 million in the Fully Insured Health segment, primarily as a result of the increase in claims and reserves in dental and small group lines of business; (iv) an increase of \$5.6 million in the group disability, life, annuities and DBL segment primarily as a result of increased LTD retention, new LTD business written and higher loss ratios on the GTL business.

Amortization of Deferred Acquisition Costs

Amortization of deferred acquisition costs decreased \$.8 million primarily due to lower investment income assumptions used in making this calculation in 2009 as a result of a decrease in yields on insurance investments.

Interest Expense on Debt

Interest expense decreased \$1.0 million primarily as a result of principal repayments and lower interest rates.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses decreased \$4.6 million in 2009 as compared to 2008. The decrease is primarily due to: (i) a \$7.3 million decrease in commissions and other general expenses in the Medical Stop-Loss segment due to a decrease in volume as a result of reduced production; (ii) a \$3.8 million decrease in the Fully Insured Health segment primarily consisting of a \$6.6 million decrease in general expenses resulting from a lower volume of business and a reduction in work force partially offset by a \$5.1 million write-off of capitalized software in the fourth quarter of 2009 (see below); offset by (iii) a \$2.8 million increase in compensation, commission and administrative expenses associated with the individual life, annuities and other segment, primarily as a result of the acquisition of a block of life and annuity business in the third quarter of 2008; (iv) a \$1.9 million increase in the group disability, life, annuities and DBL segment primarily due to an increase in premiums earned; and (v) a \$1.8 million increase in corporate overhead expenses primarily due to interest income on accrued income tax refunds included in 2008 selling, general and administrative expenses and an increase in legal expenses.

In the fourth quarter of 2009, the Fully-Insured segment wrote-off \$5.1 million of previously capitalized software. The Company had been working with a software developer on this project for a number of years in order to improve the Company's administrative efficiency as it sought in prior years to quickly expand its premiums under management. The software was delivered to the Company in the fourth quarter of 2009. During testing of the software, it was determined that the system was not capable of administering the Company's lines of business as is and it would take a substantial additional investment to implement. As the Company is not willing to incur the additional investment to make the software functional, the carrying value was fully written off.

Income Taxes

Income tax expense increased \$5.7 million to a tax benefit of \$10.7 million for the year ended December 31, 2009 from a tax benefit of \$16.4 million for the year ended 2008. The effective tax rate was (59.0)% for the year ended 2009 compared to (40.1)% for the year ended 2008. In 2009, the effective tax rate is the result of (i) tax expense on pre-tax income generated by the life companies; (ii) tax benefits derived from tax exempt interest and dividend received deductions as a result of the Company's investments in both state and political subdivisions and preferred

securities; and (iii) tax benefits on pre-tax losses from the non-life businesses which have higher effective rates due to state tax benefits. In 2008, the effective tax rate is the result of tax benefits generated by a pre-tax net loss combined with tax benefits derived from tax exempt interest and dividend received deductions as a result of the Company's investments in both state and political subdivisions and preferred securities.

LIQUIDITY

Insurance Group

The Insurance Group normally provides cash flow from: (i) operations; (ii) the receipt of scheduled principal payments on its portfolio of fixed maturities; and (iii) earnings on investments. Such cash flow is partially used to fund liabilities for insurance policy benefits. These liabilities represent long-term and short-term obligations.

Corporate

Corporate derives its funds principally from: (i) dividends from the Insurance Group; (ii) management fees from its subsidiaries; and (iii) investment income from Corporate liquidity. Regulatory constraints historically have not affected the Company's consolidated liquidity, although state insurance laws have provisions relating to the ability of the parent company to use cash generated by the Insurance Group. The Insurance Group declared and paid \$3,450,000 and \$3,000,000 of dividends to Corporate in 2010 and 2009, respectively. No dividends were declared or paid by the Insurance Group to Corporate in 2008.

Corporate utilizes cash primarily for the payment of general overhead expenses, common stock dividends, common stock repurchases and debt repayment.

Cash Flows

As of December 31, 2010, the Company had \$11.4 million of cash and cash equivalents compared with \$7.4 million as of December 31, 2009.

Net cash provided by operating activities of continuing operations for the year ended December 31, 2010 was \$5.7 million. Net cash used by operating activities of discontinued operations for the year ended December 31, 2010 was \$1.2 million.

The Company has \$459.4 million of insurance reserves that it expects to ultimately pay out of current assets and cash flows from future business. If necessary, the Company could utilize the cash received from maturities and repayments of its fixed maturity investments if the timing of claim payments associated with the Company's insurance resources does not coincide with future cash flows. For the year ended December 31, 2010, cash received from the maturities and other repayments of fixed maturities was \$129.9 million.

Net cash provided by investing activities for the year ended December 31, 2010 was \$4.6 million, primarily the result of net cash received from other investments and policy block acquisitions.

Net cash used by financing activities for the year ended December 31, 2010 was \$ 5.0 million and primarily includes dividends paid, the repurchases of common stock and repayment of debt among other items.

The Company believes it has sufficient cash to meet its currently anticipated business requirements over the next twelve months including working capital requirements and capital investments.

BALANCE SHEET

Total investments, net of amounts due from brokers, increased \$73.8 million to \$902.3 million during the year ended December 31, 2010 from \$828.5 million at December 31, 2009 largely due to \$57.3 million of investments acquired through the acquisition of AMIC and \$15.1 million in pre-tax unrealized gains on available-for-sale securities.

The Company had net receivables from reinsurers of \$122.7 million at December 31, 2010. All of such reinsurance receivables are either due from highly rated companies or are adequately secured. No allowance for doubtful accounts was necessary at December 31, 2010. In 2010, the Company entered into an assumption reinsurance agreement related to its discontinued credit business which resulted in a decrease in unearned premium reserves and a corresponding decrease in amounts due from reinsurers.

Other assets increased \$5.6 million primarily due intangible assets recorded as a result of the acquisition of AMIC and other subsidiaries, partially offset by a decrease in tax assets.

Asset Quality and Investment Impairments

The nature and quality of insurance company investments must comply with all applicable statutes and regulations, which have been promulgated primarily for the protection of policyholders. Although the Company's gross unrealized losses on available-for-sale securities totaled \$15.0 million at December 31, 2010, approximately 96.0% of the Company's fixed maturities were investment grade and continue to be rated on average AA. The Company marks all of its available-for-sale securities to fair value through accumulated other comprehensive income or loss. These investments tend to carry less default risk and, therefore, lower interest rates than other types of fixed maturity investments. At December 31, 2010, approximately 4.0% (or \$31.4 million) of the carrying value of fixed maturities was invested in non-investment grade fixed maturities (primarily mortgage securities) (investments in such securities have different risks than investment grade securities, including greater risk of loss upon default, and thinner trading markets). The increase in non-investment grade securities is primarily due to the downgrades in credit ratings of certain Alt-A mortgage securities. The Company does not have any non-performing fixed maturity investments at December 31, 2010.

At December 31, 2010, the Company had \$28,730,000 invested in whole loan CMOs backed by Alt-A mortgages. Of this amount, 42% were in CMOs that originated in 2005 or earlier and 58% were in CMOs that originated in 2006. The Company's mortgage security portfolio has no direct exposure to sub-prime mortgages. The unrealized losses for the equity securities was primarily due to wider spreads from preferred stocks issued by financial institutions following the disruption in credit markets since the time of their acquisition. Some of these financial institutions have exposure to sub-prime mortgages.

Approximately 2.8% of fixed maturities, primarily municipal obligations, in our investment portfolio are insured by financial guaranty insurance companies. The purpose of this insurance is to increase the credit quality of the fixed maturities and their credit ratings. If the obligations of these financial guarantors ceased to be valuable, either through a credit rating downgrade or default, these debt securities would likely receive lower credit ratings by the rating agencies that would reflect the creditworthiness of the various obligors as if the fixed maturities were uninsured. The following table summarizes the credit quality of our fixed maturity portfolio as rated, and as rated if the fixed maturities were uninsured, at December 31, 2010:

Bond Ratings	As Rated		As Rated If Uninsured	
AAA	58.4	%	58.4	%
AA	17.7	%	17.7	%
A	18.0	%	16.2	%
BBB	1.9	%	3.7	%
Total Investment Grade	96.0	%	96.0	%
BB or lower	4.0	%	4.0	%
Total Fixed Maturities	100.0	%	100.0	%

Changes in interest rates, credit spreads, and investment quality ratings may cause the market value of the Company's investments to fluctuate. The Company does not have the intent to sell nor is it more likely than not that the Company will have to sell debt securities in unrealized loss positions that are not other-than-temporarily impaired before recovery. In the event that the Company's liquidity needs require the sale of fixed maturity securities in unfavorable interest rate, liquidity or credit spread environments, the Company may realize investment losses.

The Company reviews its investments regularly and monitors its investments continually for impairments, as discussed in Note 1(G) (vi) of the Notes to Consolidated Financial Statements in this prospectus. For the years ended December 31, 2010 and 2009 the Company recorded losses of \$3.8 million and \$.8 million, respectively, for other-than-temporary impairments on available-for-sale securities. The following table summarizes the carrying value of securities with fair values less than 80% of their amortized cost at December 31, 2010 by the length of time the fair values of those securities were below 80% of their amortized cost (in thousands):

	Less than 3 months	Greater than 3 months, less than 6 months	Greater than 6 months, less than 12 months	Greater than 12 months	Total
Fixed maturities	\$ 1,929	\$ -	\$ 332	\$ 383	\$ 2,644
Equity securities	-	55	-	-	55
Total	\$ 1,929	\$ 55	\$ 332	\$ 383	\$ 2,699

The unrealized losses on all available-for-sale securities have been evaluated in accordance with the Company's impairment policy and were determined to be temporary in nature at December 31, 2010. In 2010, the Company experienced 15.1 million of unrealized gains which, net of deferred taxes (\$4.3 million) and net of deferred policy acquisition costs (\$3.1 million), increased stockholders' equity by \$7.7 million (reflecting net unrealized gains of \$.6 million at December 31, 2010 compared to net unrealized losses of \$7.1 million at December 31, 2009). From time to time, as warranted, the Company may employ investment strategies to mitigate interest rate and other market exposures. 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 imbalances 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 the Company may incur additional write-downs.

Goodwill

Goodwill represents the excess of the amount we paid to acquire subsidiaries and other businesses over the fair value of their net assets at the date of acquisition. The Company tests goodwill for impairment at least annually and between annual tests if an event or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Goodwill is considered impaired when the carrying amount of goodwill exceeds its implied fair value.

All goodwill carrying amounts are evaluated for impairment at the reporting unit level which is equivalent to an operating segment. Goodwill was allocated to each reporting unit or operating segment at the time of acquisition. At December 31, 2010, total goodwill was \$51.7 million, of which \$46.0 million was attributable to the Fully Insured Health segment and \$5.7 million to the Medical Stop Loss segment.

Based upon the goodwill impairment testing performed at December 31, 2010, the fair value of each reporting unit exceeded its carrying value and no impairment charge was required. Fair value exceeded carrying value by at least 8% in both the Fully Insured Health and the Medical Stop Loss segments.

In determining the fair value of each reporting unit, we used an income approach, applying a discounted cash flow method which included a residual value. Based on historical experience, we 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 the reporting unit.

Management uses a significant amount of judgment in estimating the fair value of the Company's reporting units. The key assumptions underlying the fair value process are subject to uncertainty and change. The following represent some of the potential risks that could impact these assumptions and the related expected future cash flows: (i) increased competition; (ii) an adverse change in the insurance industry and overall business climate; (iii) changes in state and federal regulations; (iv) rating agency downgrades of our insurance companies; and (v) a sustained and significant decrease in our share price and market capitalization. As a result of the global economic crisis that began in 2008, we experienced a significant decline in our stock price. Due to this significant decline, our market capitalization as of December 31, 2010 was significantly below the sum of our reporting units' fair values. If we experience a sustained decline in our results of operations and cash flows, or other indicators of impairment exist, we may incur a material non-cash charge to earnings relating to impairment of our goodwill, which could have a material adverse effect on our results.

Health Reserves

The following table summarizes the prior year net favorable amount incurred in 2010 according to the year to which it relates, together with the opening reserve balance (net of reinsurance recoverable) to which it relates (in thousands):

	Reserves at January 1, 2010	Prior Year Amount Incurred in 2010
Total Reserves		
2009	\$ 71,623	\$ (3,418)
2008	11,736	340
2007	4,334	(516)
2006 and Prior	14,397	1,128
Total	\$ 102,090	\$ (2,466)

The following sections describe, for each segment, the unfavorable (favorable) development experienced in 2010, together with the key assumptions and changes therein affecting the reserve estimates.

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Medical Stop-Loss

The Company experienced net unfavorable development of \$1.3 million in the Medical Stop-Loss segment. The deficiency was the result of on-going analysis of recent loss development trends primarily attributable to the increased frequency of claims and the severity of primary claims.

Group Disability

The Group Disability segment had a favorable development of \$4.3 million. This amount consists of a favorable development of \$4.8 million on the 2009 reserves due to DBL (\$1.4 million) and LTD (\$3.4 million) and a net unfavorable development of \$.5 million for all other years primarily due to LTD.

Due to the long-term nature of LTD, in establishing loss reserves the Company must make estimates for case reserves, incurred but not reported reserves ("IBNR"), and reserves for Loss Adjustment Expenses ("LAE"). Case reserves generally equal the actuarial present value of the liability for future benefits to be paid on claims incurred as of the balance sheet date. The IBNR reserve is established based upon historical trends of existing incurred claims that were reported after the balance sheet date. The LAE reserve is calculated based on an actuarial expense study. Since the LTD block of policies is relatively small, with the potential for very large claims on individual policies, results can vary from year to year. If a small number of claimants with large claim reserves were to recover or several very large claims were incurred, the results could distort the Company's reserve estimates from year to year. However, there were no individual factors in 2010 that caused the favorable development in LTD. With respect to DBL, reserves for the most recent quarter of earned premium are established using a Net Loss Ratio methodology. The Net Loss Ratio is determined by applying the completed prior four quarters of historical Net Loss Ratios to the last quarter of earned premium. Reserves associated with the premium earned prior to the last quarter are established using a completion factor methodology. The completion factors are developed using the historical payment patterns for DBL. The favorable development in the DBL line is due to lower than expected claims.

There were normal fluctuations to the Company's experience factor. The IBNR factors were updated to reflect the current experience. The reserving process used by management was consistent from 2009 to 2010.

Individual Accident and Health and Other

The Individual Accident and Health and Other segment had unfavorable development of \$.6 million. The Company experienced \$.6 million unfavorable variance related to 2008 reserves on our Blanket Accident and sickness product that is sold to volunteer fire districts, primarily due to the severity of a few claims related to that treaty year.

CAPITAL RESOURCES

Due to its strong capital ratios, broad licensing and excellent asset quality and credit-worthiness, the Insurance Group remains well positioned to increase or diversify its current activities. It is anticipated that future acquisitions or other expansion of operations will be funded internally from existing capital and surplus and parent company liquidity. In the event additional funds are required, it is expected that they would be borrowed or raised in the public or private capital markets to the extent determined to be necessary or desirable. In November 2004, December 2003 and March 2003, the Company borrowed \$15.0 million, \$12.0 million and \$10.0 million, respectively, through pooled trust preferred issuances by unconsolidated subsidiary trusts. In August 2009, the outstanding line of credit was cancelled and converted into an amortizing term loan. At December 31, 2010 the outstanding balance of the term loan was \$7.5 million. See Note 14 of the Notes to Consolidated Financial Statements in this prospectus.

IHC enters into a variety of contractual obligations with third parties in the ordinary course of its operations, including liabilities for insurance reserves, funds on deposit, debt and operating lease obligations. However, IHC does not believe that its cash flow requirements can be fully assessed based solely upon an analysis of these obligations. Future cash outflows, whether they are contractual obligations or not, also will vary based upon IHC's future needs. Although some outflows are fixed, others depend on future events.

The chart below reflects the maturity distribution of IHC's contractual obligations at December 31, 2010 (in thousands):

	Debt	Junior Subordinated Debt	Interest On Debt	Leases	Insurance Reserves	Funds on Deposit	Total
2011	\$1,500	\$ -	\$1,805	\$3,691	\$142,163	\$46,932	\$196,091
2012	6,000	-	1,688	2,625	45,907	43,990	100,210
2013	-	-	1,552	1,941	39,169	41,339	84,001
2014	-	-	1,552	1,570	35,452	38,959	77,533
2015	-	-	1,552	1,574	33,048	36,564	72,738
2016 and Thereafter	-	38,146	28,185	2,576	163,708	200,782	433,397
Totals	\$7,500	\$ 38,146	\$36,334	\$13,977	\$459,447	\$408,566	\$963,970

OUTLOOK

The Company remained highly liquid in 2010 with a shorter duration portfolio. As a result, the yields on our investment portfolio were, and continue to remain, lower than in prior years and investment income may continue to be depressed for the balance of the year. IHC has approximately \$164.5 million in highly rated shorter maturity securities earning on average 1.4%; our portfolio as a whole is rated, on average, AA. The low duration of our portfolio enables us, if we deem prudent, the flexibility to reinvest in much higher yielding longer-term securities, which would significantly increase investment income. A low duration portfolio such as ours also mitigates the adverse impact of potential inflation. IHC will continue to monitor the financial markets and invest accordingly.

In March 2010, IHC acquired control of AMIC through the purchase of additional shares of AMIC common stock in the open market; at December 31, 2010, IHC owned approximately 50.1% of the outstanding common stock of AMIC. The acquisition furthers our goal of creating efficiencies by integrating the back office operations of our MGUs and marketing companies. Subsequent to year end, through March 15, 2011, the Company has acquired an additional 1,100,325 shares of AMIC common stock, increasing its ownership to 63.0%.

For 2011, we will continue to emphasize:

- Preparing for health care reform by proactively adjusting our mix of Fully Insured Health products and distribution strategies to take advantage of changing market demands, while continuing to increase the efficiency of our fully insured administrative companies.
- Increasing the efficiency of our medical stop-loss operations and seeking to acquire additional Medical Stop-Loss business to increase our premiums in a controlled underwriting environment. We have determined that the results of MGUs in which we have ownership generally outperform those of ones we do not own by a substantial margin, which is why we have reduced our block to focus primarily on business written by owned MGUs.
 - Closely monitoring the experience in our Group disability, life annuities and DBL business.

We will continue to focus on our strategic objectives, including expanding our distribution network. However, the success of a portion of our Fully Insured Health business may be affected by the passage of the Patient Protection and Affordable Care and Education Reconciliation Act of 2010 signed by President Obama in March 2010, and its subsequent interpretations by state and federal regulators and its possible revision by the newly-elected Congress. The National Association of Insurance Commissioners has now issued its proposed regulations. The regulations proposed to-date (including those mandating minimum loss ratios) seem to have validated our strategy of pursuing niche lines of business across many states utilizing multiple carriers. We have begun a comprehensive review of all the options for IHC and we are continuing a thorough evaluation of our options for those health insurance products that may be affected. Although the law will generally require insurers to operate with a lower expense structure for major medical plans in the small employer and individual markets, the law appears to make exceptions for carriers, such as ours, that have a minimal presence in any one state. “Non-essential” lines of business are not impacted by health care reform.

Our results depend on the adequacy of our product pricing, our underwriting and the accuracy of our reserving methodology, returns on our invested assets and our ability to manage expenses. Therefore, factors affecting these items, including unemployment and global financial markets, may have a material adverse effect on our results of operations and financial condition.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK OF INDEPENDENCE HOLDING COMPANY

The Company manages interest rate risk by seeking to maintain an investment portfolio with a duration and average life that falls within the band of the duration and average life of the applicable liabilities. Options may be utilized to modify the duration and average life of such assets.

The following summarizes the estimated pre-tax change in fair value (based upon hypothetical parallel shifts in the U.S. Treasury yield curve) of the fixed income portfolio assuming immediate changes in interest rates at specified levels at December 31, 2010:

	Change in Interest Rates				
	200 basis point rise	100 basis point rise	Base scenario	100 basis point decline	200 basis point decline
Corporate securities	\$247,651	\$259,238	\$271,995	\$ 285,784	\$ 299,466
CMO's	54,146	58,754	64,452	68,931	72,560
U.S. Government obligation					