INDEPENDENCE HOLDING CO
Form 10-Q
May 08, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X]

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended **March 31, 2015.**

[ ]

Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the transition period from: _____ to _____

Commission File Number: **001-32244**

INDEPENDENCE HOLDING COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**58-1407235**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

96 CUMMINGS POINT ROAD, STAMFORD, CONNECTICUT **06902**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(203) 358-8000**

NOT APPLICABLE

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer [ ] Accelerated Filer [X]
Non-Accelerated Filer [ ] Smaller Reporting Company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Class	**Outstanding at May 1, 2015**
Common stock, $ 1.00 par value	**17,336,816 Shares**

INDEPENDENCE HOLDING COMPANY

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Forward-Looking Statements

This report on Form 10−Q contains certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, which are intended to be covered by the safe harbors created by those laws. We have based our forward-looking statements on our current expectations and projections about future events. Our forward-looking statements include information about possible or assumed future results of our operations. All statements, other than statements of historical facts, included or incorporated by reference in this report that address activities, events or developments that we expect or anticipate may occur in the future, including such things as the growth of our business and operations, our business strategy, competitive strengths, goals, plans, future capital expenditures and references to future successes may be considered forward-looking statements. Also, when we use words such as anticipate, believe, estimate, expect, intend, probably or similar expressions, we are making forward-looking statements.

Numerous risks and uncertainties may impact the matters addressed by our forward-looking statements, any of which could negatively and materially affect our future financial results and performance. We describe some of these risks and uncertainties in greater detail in Item 1A, Risk Factors, of IHC s annual report on Form 10-K as filed with Securities and Exchange Commission.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of these assumptions, and, therefore, also the forward-looking statements based on these assumptions, could themselves prove to be inaccurate. In light of the significant uncertainties inherent in the forward-looking statements that are included in this report, our inclusion of this information is not a representation by us or any other person that our objectives and plans will be achieved. Our forward-looking statements speak only as of the date made, and we will not update these forward-looking statements unless the securities laws require us to do so. In light of these risks, uncertainties and assumptions, any forward-looking event discussed in this report may not occur.

PART I - FINANCIAL INFORMATION

Item 1.

Financial Statements

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

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS:		
Investments:		
Short-term investments	$ 50	$ 50
Securities purchased under agreements to resell	50,937	16,790
Trading securities	9,520	11,095
Fixed maturities, available-for-sale	564,144	583,880
Equity securities, available-for-sale	7,350	13,895
Other investments	25,484	25,251
Total investments	657,485	650,961
Cash and cash equivalents	20,595	25,083
Deferred acquisition costs	31,143	30,806
Due and unpaid premiums	76,811	62,628
Due from reinsurers	273,712	278,242
Premium and claim funds	32,929	32,553
Goodwill	50,318	50,318
Other assets	62,739	57,126
TOTAL ASSETS	$ 1,205,732	$ 1,187,717
LIABILITIES AND STOCKHOLDERS EQUITY:		
LIABILITIES:		
Policy benefits and claims	$ 245,047	$ 236,803
Future policy benefits	275,803	277,041
Funds on deposit	181,119	186,782
Unearned premiums	11,042	9,455
Other policyholders' funds	18,326	18,802
Due to reinsurers	47,823	47,945
Accounts payable, accruals and other liabilities	79,052	67,641
Debt	4,000	4,000
Junior subordinated debt securities	38,146	38,146
TOTAL LIABILITIES	900,358	886,615

STOCKHOLDERS EQUITY:		
IHC STOCKHOLDERS' EQUITY:		
Preferred stock (none issued)	-	-
Common stock $1.00 par value, 23,000,000 shares authorized; 18,545,758 and 18,531,158 shares issued; 17,336,816 and 17,371,040 shares outstanding	18,546	18,531
Paid-in capital	127,113	127,098
Accumulated other comprehensive income	901	22
Treasury stock, at cost; 1,208,942 and 1,160,118 shares	(12,738)	(12,141)
Retained earnings	162,865	157,667
TOTAL IHC STOCKHOLDERS EQUITY	296,687	291,177
NONCONTROLLING INTERESTS IN SUBSIDIARIES	8,687	9,925
TOTAL EQUITY	305,374	301,102
TOTAL LIABILITIES AND EQUITY	$ 1,205,732	$ 1,187,717

See the accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2015	**2014**
REVENUES:		
Premiums earned	$ 122,114	$ 123,270
Net investment income	5,441	5,801
Fee income	3,716	9,339
Other income	994	1,111
Net realized investment gains	2,000	1,551
	134,265	141,072
EXPENSES:		
Insurance benefits, claims and reserves	79,620	85,309
Selling, general and administrative expenses	44,149	48,135
Amortization of deferred acquisitions costs	1,464	1,282
Interest expense on debt	432	481
	125,665	135,207
Income before income taxes	8,600	5,865
Income taxes	3,269	1,860
Net income	5,331	4,005
Less: Income from noncontrolling interests in subsidiaries	(112)	(304)
NET INCOME ATTRIBUTABLE TO IHC	$ 5,219	$ 3,701
Basic income per common share	$ .30	$ .21
WEIGHTED AVERAGE SHARES OUTSTANDING	17,364	17, 623
Diluted income per common share	$ .30	$ .21
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	17,531	17,763

See the accompanying Notes to Condensed Consolidated Financial Statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2015	**2014**
Net income	$ 5,331	$ 4,005
Other comprehensive income:		
Available-for-sale securities:		
Unrealized gains on available-for-sale securities, pre-tax	1,305	8,017
Tax expense on unrealized gains on available-for-sale securities	397	2,378
Unrealized gains on available-for-sale securities, net of taxes	908	5,639
Cash flow hedge:		
Unrealized gains on cash flow hedge, pre-tax	15	17
Tax expense on unrealized gains on cash flow hedge	6	7
Unrealized gains on cash flow hedge, net of taxes	9	10
Other comprehensive income, net of tax	917	5,649
COMPREHENSIVE INCOME, NET OF TAX	6,248	9,654
Comprehensive income, net of tax, attributable to noncontrolling interests:		
Income from noncontrolling interests in subsidiaries	(112)	(304)
Other comprehensive income, net of tax, attributable to noncontrolling interests:		
Unrealized gains on available-for-sale securities, net of tax	(43)	(131)
Other comprehensive income, net of tax, attributable to noncontrolling interests	(43)	(131)
COMPREHENSIVE INCOME, NET OF TAX, ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(155)	(435)
COMPREHENSIVE INCOME, NET OF TAX, ATTRIBUTABLE TO IHC	$ 6,093	$ 9,219

See the accompanying Notes to Condensed Consolidated Financial Statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited) (In thousands)

	COMMON STOCK	PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY STOCK, AT COST	RETAINED EARNINGS	TOTAL IHC STOCKHOLDERS' EQUITY	NON CONTRO INTERES SUBSIDI
BALANCE AT DECEMBER 31, 2014	$ 18,531	$ 127,098	$ 22	$ (12,141)	$ 157,667	$ 291,177	$
Net income					5,219	5,219	
Other comprehensive income, net of tax			874			874	
Repurchases of common stock				(597)		(597)	
Purchases of noncontrolling interests		(199)	5			(194)	
Share-based compensation expenses and related tax benefits	15	205				220	
Other capital transactions		9			(21)	(12)	
BALANCE AT MARCH 31, 2015	$ 18,546	$ 127,113	$ 901	$ (12,738)	$ 162,865	$ 296,687	$

See the accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31, 2015	2014
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES:		
Net income	$ 5,331	$ 4,005
Adjustments to reconcile net income to net change in cash from operating activities:		
Amortization of deferred acquisition costs	1,464	1,282
Net realized investment gains	(2,000)	(1,551)
Equity income from equity method investments	(365)	(433)
Depreciation and amortization	732	1,005
Share-based compensation expenses	58	16
Deferred tax expense	3,639	824
Other	1,699	1,275
Changes in assets and liabilities:		
Net (purchases) sales of trading securities	1,291	(2,889)
Change in insurance liabilities	2,935	2,552
Additions to deferred acquisition costs	(1,954)	(1,383)
Change in amounts due from reinsurers	4,531	227
Change in premium and claim funds	(376)	(909)
Change in current income tax liability	(789)	522
Change in due and unpaid premiums	(14,183)	(2,837)
Change in other assets	337	(1,777)
Change in other liabilities	4,482	4,125
Net change in cash from operating activities	6,832	4,054
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES:		
Net purchases of securities under resale and repurchase agreements	(34,147)	(12,377)
Sales of equity securities	3,902	250
Purchases of equity securities	-	(250)
Sales of fixed maturities	92,089	83,746
Maturities and other repayments of fixed maturities	12,067	17,344
Purchases of fixed maturities	(81,963)	(94,159)
Other investing activities	10	3,018
Net change in cash from investing activities	(8,042)	(2,428)
CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES:		
Repurchases of common stock	(597)	(1,120)

Cash paid in acquisitions of noncontrolling interests	(1,609)	-
Withdrawals of investment-type insurance contracts	(607)	(816)
Dividends paid	(609)	(620)
Proceeds from exercise of stock options	133	-
Other financing activities	11	(218)
Net change in cash from financing activities	(3,278)	(2,774)
Net change in cash and cash equivalents	(4,488)	(1,148)
Cash and cash equivalents, beginning of year	25,083	24,229
Cash and cash equivalents, end of period	$ 20,595	$ 23,081

See the accompanying Notes to Condensed Consolidated Financial Statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1.

Organization, Consolidation, Basis of Presentation and Accounting Policies

(A)

Business and Organization

Independence Holding Company, a Delaware corporation (IHC), is a holding company principally engaged in the life and health insurance business through: (i) its insurance companies, Standard Security Life Insurance Company of New York ("Standard Security Life"), Madison National Life Insurance Company, Inc. ("Madison National Life"), Independence American Insurance Company (Independence American); and (ii) its marketing and administrative companies, including IHC Risk Solutions, LLC, IHC Health Solutions, Inc., IHC Specialty Benefits Inc. and IHC Carrier Solutions, Inc. IHC also owns a significant equity interest in a managing general underwriter (MGU) that writes medical stop-loss. Standard Security Life, Madison National Life and Independence American are sometimes collectively referred to as the Insurance Group . IHC and its subsidiaries (including the Insurance Group) are sometimes collectively referred to as the "Company", or IHC , or are implicit in the terms we , us and our .

Geneve Corporation, a diversified financial holding company, and its affiliated entities, held 52.8% of IHC's outstanding common stock at March 31, 2015.

(B)

Consolidation

American Independence Corp.

American Independence Corp. (AMIC) is an insurance holding company engaged in the insurance and reinsurance business. During the first quarter of 2015, IHC purchased shares of AMIC common stock thereby increasing its ownership interest in AMIC to approximately 92% as of March 31, 2015. At December 31, 2014, the Company

owned approximately 90% of the outstanding common stock of AMIC.

Effects of Ownership Changes in Subsidiaries

The following table summarizes the effects of changes in the Company s ownership interests in its subsidiaries on IHC s equity for the three months ended March 31, 2015 (in thousands):

Changes in IHC s paid-in capital:		
Purchases of AMIC shares	$	(199)
Net transfers from noncontrolling interests	$	(199)

(C)

Basis of Presentation

The Condensed Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The Condensed Consolidated Financial Statements include the accounts of IHC and its consolidated subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect: (i) the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; and (ii) the reported amounts of revenues and expenses during the

reporting period. Actual results could differ from those estimates. IHC s annual report on Form 10-K as filed with the Securities and Exchange Commission should be read in conjunction with the accompanying Condensed Consolidated Financial Statements.

In the opinion of management, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods have been included. The condensed consolidated results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results to be anticipated for the entire year.

(D)

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In April 2014, the FASB issued guidance: (i) improving the definition of discontinued operations by limiting the reporting of discontinued operations to disposals of components that represent strategic shifts that have (or will have) a major effect on an entity s operations and financial results; and (ii) requiring expanded disclosures for discontinued operations. The adoption of this guidance did not have any effect on the Company s consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In February 2015, the FASB issued guidance that modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities for the purpose of consolidation. For public entities, this guidance is effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Early adoption is permitted. Management has not yet determined the impact that the adoption of this guidance will have on the Company s consolidated financial statements.

In June 2014, the FASB issued explicit guidance for entities that grant their employees share-based payments in which the terms of the award include a performance target that affects vesting and could be achieved after the requisite service period. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Earlier adoption is permitted. The guidance may be applied either prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The adoption of this guidance is not expected to have a material effect on the Company s

consolidated financial statements.

In May 2014, the FASB issued revenue recognition guidance for entities that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards such as insurance contracts or lease contracts. The amendment provides specific steps that an entity should apply in order to achieve its main objective which is recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For public entities, this guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, and requires one of two specified retrospective methods of application. Early application is prohibited. Management has not yet determined the impact that the adoption of this guidance will have on the Company s consolidated financial statements.

Note 2.

Income Per Common Share

Diluted earnings per share was computed using the treasury stock method and includes incremental common shares, primarily from the dilutive effect of share-based payment awards, amounting to 167,000 and 140,000 shares for the three months ended March 31, 2015 and 2014.

Note 3.

Investment Securities

The cost (amortized cost with respect to certain fixed maturities), gross unrealized gains, gross unrealized losses and fair value of investment securities are as follows for the periods indicated (in thousands):

	March 31, 2015			
	AMORTIZED COST	**GROSS UNREALIZED GAINS**	**GROSS UNREALIZED LOSSES**	**FAIR VALUE**
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	$ 252,958	$ 1,971	$ (3,384)	$ 251,545
CMOs - residential [1]	5,567	120	-	5,687
CMOs - commercial	975	41	-	1,016
U.S. Government obligations	20,627	321	-	20,948
Agency MBS - residential [2]	61	3	-	64
GSEs [3]	14,246	81	(60)	14,267
States and political subdivisions	227,497	3,666	(1,600)	229,563
Foreign government obligations	36,651	279	(37)	36,893
Redeemable preferred stocks	4,036	125	-	4,161
Total fixed maturities	$ 562,618	$ 6,607	$ (5,081)	$ 564,144
EQUITY SECURITIES AVAILABLE-FOR-SALE:				
Common stocks	$ 3,255	$ -	$ (94)	$ 3,161
Nonredeemable preferred stocks	4,004	185	-	4,189
Total equity securities	$ 7,259	$ 185	$ (94)	$ 7,350

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	December 31, 2014			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	$ 264,162	$ 1,076	$ (3,314)	$ 261,924
CMOs - residential [1]	5,073	55	(22)	5,106
CMOs - commercial	975	-	(22)	953
U.S. Government obligations	22,766	126	-	22,892
Agency MBS - residential [2]	65	4	-	69
GSEs [3]	14,706	36	(86)	14,656
States and political subdivisions	238,514	3,253	(2,386)	239,381
Foreign government obligations	34,863	136	(299)	34,700
Redeemable preferred stocks	4,036	163	-	4,199
Total fixed maturities	$ 585,160	$ 4,849	$ (6,129)	$ 583,880
EQUITY SECURITIES AVAILABLE-FOR-SALE:				
Common stocks	$ 8,452	$ 1,452	$ (147)	$ 9,757
Nonredeemable preferred stocks	4,004	134	-	4,138
Total equity securities	$ 12,456	$ 1,586	$ (147)	$ 13,895

(1)

Collateralized mortgage obligations (CMOs).

(2)

Mortgage-backed securities (MBS).

(3)

Government-sponsored enterprises (GSEs) are private enterprises established and chartered by the Federal Government or its various insurance and lease programs which carry the full faith and credit obligation of the U.S. Government.

The amortized cost and fair value of fixed maturities available-for-sale at March 31, 2015, by contractual maturity, are shown below (in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties. CMOs and MBSs are shown separately, as they are not due at a single maturity.

	AMORTIZED COST	FAIR VALUE
Due in one year or less	$ 18,337	$ 18,293
Due after one year through five years	130,742	131,020
Due after five years through ten years	174,298	176,095
Due after ten years	219,399	218,751
CMOs and MBSs	19,842	19,985
	$ 562,618	$ 564,144

The following tables summarize, for all available-for-sale securities in an unrealized loss position, the aggregate fair value and gross unrealized loss by length of time those securities that have continuously been in an unrealized loss position for the periods indicated (in thousands):

	March 31, 2015					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate securities	$ 85,635	$ 2,326	$ 48,574	$ 1,058	$ 134,209	$ 3,384
GSEs	-	-	5,200	60	5,200	60
States and political subdivisions	35,045	315	56,185	1,285	91,230	1,600
Foreign government obligations	4,684	3	1,374	34	6,058	37
Total fixed maturities	125,364	2,644	111,333	2,437	236,697	5,081
Common stocks	3,161	94	-	-	3,161	94
Total equity securities	3,161	94	-	-	3,161	94
Total temporarily impaired securities	$ 128,525	$ 2,738	$ 111,333	$ 2,437	$ 239,858	$ 5,175
Number of securities in an unrealized loss position	54		34		88	

	December 31, 2014					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate securities	$ 77,868	$ 1,473	$ 69,498	$ 1,841	$ 147,366	$ 3,314
CMO s - residential	2,062	16	1,562	6	3,624	22
CMOs - commercial	-	-	953	22	953	22
GSEs	-	-	9,581	86	9,581	86
States and political subdivisions	58,819	744	67,318	1,642	126,137	2,386
	21,148	171	12,229	128	33,377	299

Foreign government obligations						
Total fixed maturities	159,897	2,404	161,141	3,725	321,038	6,129
Common stocks	2,007	136	348	11	2,355	147
Total equity securities	2,007	136	348	11	2,355	147
Total temporarily impaired securities	$ 161,904	$ 2,540	$ 161,489	$ 3,736	$ 323,393	$ 6,276
Number of securities in an unrealized loss position	70		46		116	

Substantially all of the unrealized losses on fixed maturities available-for-sale at March 31, 2015 and December 31, 2014 relate to investment grade securities and are attributable to changes in market interest rates. Because the Company does not intend to sell, nor is it more likely than not that the Company will have to sell such investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2015.

Net realized investment gains are as follows for periods indicated (in thousands):

	Three Months Ended March 31,	
	2015	**2014**
Available-for-sale securities:		
Fixed maturities	$ 1,300	$ 1,477
Common stocks	1,465	-
Total sales of available-for-sale securities	2,765	1,477
Trading securities	(507)	5
Total realized gains	2,258	1,482
Unrealized gains (losses) on trading securities:		
Change in unrealized gains (losses) on trading securities	(251)	69
Total unrealized gains (losses) on trading securities	(251)	69
Gains (losses) on other investments	(7)	-
Net realized investment gains	$ 2,000	$ 1,551

For the three months ended March 31, 2015 and 2014, proceeds from sales of available-for-sale securities were $106,415,000 and $97,550,000, respectively, and the company realized gross gains of $3,114,000 and $2,605,000, respectively, and gross losses of $182,000 and $419,000, respectively, on those sales.

Other-Than-Temporary Impairment Evaluations

We recognize other-than-temporary impairment losses in earnings in the period that we determine: 1) we intend to sell the security; 2) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis; or 3) the security has a credit loss. Any non-credit portion of the other-than-temporary impairment loss is recognized in other comprehensive income (loss). See Note 1G(iv) to the Consolidated Financial Statements in the 2014 Annual Report for further discussion of the factors considered by management in its regular review to identify and recognize other-than-temporary impairments on available-for-sale securities. The Company did not recognize any other-than-temporary impairments on available-for-sale securities in 2015 or 2014.

Credit losses were recognized on certain fixed maturities for which each security also had an impairment loss recognized in other comprehensive income (loss). The rollforward of these credit losses were as follows for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2015	**2014**
Balance at beginning of year	$ 473	$ 473
Additional credit losses for which an other-than-temporary loss was previously recognized	-	-
Securities sold	-	-
Balance at end of period	$ 473	$ 473

The after-tax portion of other-than-temporary impairments included in accumulated other comprehensive income (loss) at both March 31, 2015 and December 31, 2014 consists of $335,000 related to CMO securities.

Note 4.

Cash Flow Hedge

In connection with its outstanding amortizing term loan, a subsidiary of IHC entered into an interest rate swap on July 1, 2011 with the commercial bank lender, for a notional amount equal to the debt principal amount ($4,000,000 at both March 31, 2015 and December 31, 2014), under which the Company receives a variable rate equal to the rate on the debt and pays a fixed rate (1.60%) in order to manage the risk in overall changes in cash flows attributable to forecasted interest payments. As a result of the interest rate swap, interest payments on this debt are fixed at 4.95%. There was no hedge ineffectiveness on this interest rate swap which was accounted for as a cash flow hedge. At March 31, 2015 and December 31, 2014, the fair value of interest rate swap was $41,000 and $83,000, respectively, which is included in other liabilities on the accompanying Condensed Consolidated Balance Sheets. See Note 5 for further discussion on the valuation techniques utilized to determine the fair value of the interest rate swap.

Note 5.

Fair Value Disclosures

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

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

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

Level 3 - Instruments where significant value drivers are unobservable.

The following section describes the valuation methodologies we use to measure different assets at fair value.

Investments in fixed maturities and equity securities:

Available-for-sale securities included in Level 1 are equities with quoted market prices. Level 2 is primarily comprised of our portfolio of government securities, agency mortgage-backed securities, corporate fixed income securities, foreign government obligations, collateralized mortgage obligations, municipals and GSEs that were priced with observable market inputs. Level 3 securities consist primarily of CMO securities backed by commercial mortgages and municipal tax credit strips. For these securities, we use industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on management s assumptions and available market information. Significant unobservable inputs used in the fair value measurement of CMO s are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for loss severity and a directionally opposite change in the assumption used for prepayment rates. Further we retain independent pricing vendors to assist in valuing certain instruments.

Trading securities:

Trading securities included in Level 1 are equity securities with quoted market prices.

Interest rate swap:

The financial liability included in Level 2 consists of an interest rate swap on IHC debt. It is valued using market observable inputs including market price, interest rate, and volatility within a Black Scholes model.

The following tables present our financial assets and liabilities measured at fair value on a recurring basis for the periods indicated (in thousands):

	March 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	$ -	$ 251,545	$ -	$ 251,545
CMOs - residential	-	5,687	-	5,687
CMOs - commercial	-	-	1,016	1,016
US Government obligations	-	20,948	-	20,948
Agency MBS - residential	-	64	-	64
GSEs	-	14,267	-	14,267
States and political subdivisions	-	227,282	2,281	229,563
Foreign government obligations	-	36,893	-	36,893
Redeemable preferred stocks	4,161	-	-	4,161
Total fixed maturities	4,161	556,686	3,297	564,144
Equity securities available-for-sale:				
Common stocks	3,161	-	-	3,161
Nonredeemable preferred stocks	4,189	-	-	4,189
Total equity securities	7,350	-	-	7,350
Trading securities - equities	9,520	-	-	9,520
Total trading securities	9,520	-	-	9,520
Total Financial Assets	$ 21,031	$ 556,686	$ 3,297	$ 581,014
FINANCIAL LIABILITIES:				
Interest rate swap	$ -	$ 41	$ -	$ 41

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	$ -	$ 261,924	$ -	$ 261,924
CMOs residential	-	5,106	-	5,106
CMOs commercial	-	-	953	953
US Government obligations	-	22,892	-	22,892
Agency MBS - residential	-	69	-	69
GSEs	-	14,656	-	14,656
States and political subdivisions	-	237,067	2,314	239,381
Foreign government	-	34,700	-	34,700
Redeemable preferred stocks	4,199	-	-	4,199
Total fixed maturities	4,199	576,414	3,267	583,880
Equity securities available-for-sale:				
Common stocks	9,757	-	-	9,757
Nonredeemable preferred stocks	4,138	-	-	4,138
Total equity securities	13,895	-	-	13,895
Trading securities - equities	11,095	-	-	11,095
Total trading securities	11,095	-	-	11,095
Total Financial Assets	$ 29,189	$ 576,414	$ 3,267	$ 608,870
FINANCIAL LIABILITIES:				
Interest rate swap	$ -	$ 83	$ -	$ 83

It is the Company s policy to recognize transfers of assets and liabilities between levels of the fair value hierarchy at the end of a reporting period. The Company does not transfer out of Level 3 and into Level 2 until such time as observable inputs become available and reliable or the range of available independent prices narrow. The Company did not transfer any securities between Level 1, Level 2 or Level 3 in either 2015 or 2014. The following table presents the changes in fair value of our Level 3 financial instruments for the periods indicated (in thousands):

	Three Months Ended March 31, 2015		
	CMOs Commercial	States and Political Subdivisions	Total
Beginning balance	$ 953	$ 2,314	$ 3,267
Gains (losses) included in other comprehensive income (loss):			
Net unrealized gains (losses)	63	(13)	50

Repayments and amortization of fixed maturities	-	(20)	(20)
Balance at end of period	$ 1,016	$ 2,281	$ 3,297

	Three Months Ended March 31, 2014		
	CMOs Commercial	States and Political Subdivisions	Total
Beginning balance	$ 593	$ 2,441	$ 3,034
Gains (losses) included in other comprehensive income (loss):			
Net unrealized gains (losses)	276	(16)	260
Repayments and amortization of fixed maturities	-	(15)	(15)
Balance at end of period	$ 869	$ 2,410	$ 3,279

The following table provides carrying values, fair values and classification in the fair value hierarchy of the Company s financial instruments, for the periods indicated, that are not carried at fair value but are subject to fair value disclosure requirements, for the periods indicated (in thousands):

	March 31, 2015		December 31, 2014	
	Level 2 Fair Value	Carrying Value	Level 2 Fair Value	Carrying Value
FINANCIAL ASSETS:				
Policy loans	$ 13,192	$ 10,535	$ 13,356	$ 10,667
FINANCIAL LIABILITIES:				
Funds on deposit	$ 181,539	$ 181,119	$ 187,213	$ 186,782
Debt and junior subordinated debt securities	$ 42,146	$ 42,146	$ 42,146	$ 42,146

The following methods and assumptions were used to estimate the fair value of the financial instruments that are not carried at fair value in the Condensed Consolidated Financial Statements:

(A)

Policy Loans

The fair value of policy loans included in Level 2 of the fair value hierarchy is estimated by projecting aggregate loan cash flows to the end of the expected lifetime period of the life insurance business at the average policy loan rates, and

discounting them at a current market interest rate.

(B)

Funds on Deposit

The Company has two types of funds on deposit. The first type is credited with a current market interest rate, resulting in a fair value which approximates the carrying amount. The second type carries fixed interest rates which are higher than current market interest rates. The fair value of these deposits was estimated by discounting the payments using current market interest rates. The Company's universal life policies are also credited with current market interest rates, resulting in a fair value which approximates the carrying amount. Both types of funds on deposit are included in Level 2 of the fair value hierarchy.

(C)

Debt

The fair value of debt with variable interest rates approximates its carrying amount and is included in Level 2 of the fair value hierarchy.

Note 6.

Goodwill and Other Intangible Assets

The carrying amount of goodwill was $50,318,000 at both March 31, 2015 and December 31, 2014.

The Company has net other intangible assets of $11,730,000 and $12,135,000 at March 31, 2015 and December 31, 2014, respectively, which are included in other assets in the Condensed Consolidated Balance Sheets. These intangible assets consist of: (i) finite-lived intangible assets, principally the fair value of acquired agent and broker relationships, which are subject to amortization; and (ii) indefinite-lived intangible assets which consist of the estimated fair value of insurance licenses that are not subject to amortization. The gross carrying amounts of these other intangible assets are as follows for the periods indicated (in thousands):

	March 31, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived Intangible Assets:				
Agent and broker relationships	$ 22,725	$ 18,972	$ 22,725	$ 18,567
Total finite-lived	22,725	$ 18,972	$ 22,725	$ 18,567

	March 31, 2015	December 31, 2014
Indefinite-lived Intangible Assets:		
Insurance licenses	$ 7,977	$ 7,977
Total indefinite-lived	$ 7,977	$ 7,977

Amortization expense was $404,000 and $679,000 for the three months ended March 31, 2015 and 2014, respectively.

Note 7.

Income Taxes

The provisions for income taxes shown in the Condensed Consolidated Statements of Income were computed based on the Company's actual results, which approximate the effective tax rate expected to be applicable for the balance of

the current fiscal year in accordance with consolidated life/non-life group income tax regulations. Such regulations adopt a subgroup method in determining consolidated taxable income, whereby taxable income is determined separately for the life insurance company group and the non-life insurance company group.

At March 31, 2015, AMIC had net operating loss carryforwards of approximately $263,184,000 for federal income tax purposes, expiring in varying amounts through the year 2028 with a significant portion expiring in 2020. The net deferred tax asset relative to AMIC included in other assets on IHC s Condensed Consolidated Balance Sheets was $10,864,000 and $11,517,000 at March 31, 2015 and December 31, 2014, respectively.

Note 8.

Accumulated Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) include (i) the after-tax net unrealized gains and losses on investment securities available-for-sale, including the subsequent increases and decreases in fair value of available-for-sale securities previously impaired and the non-credit related component of other-than-temporary impairments of fixed maturities and (ii) the after-tax unrealized gains and losses on a cash flow hedge.

Changes in the balances for each component of accumulated other comprehensive income, shown net of taxes, for the periods indicated were as follows (in thousands):

	Three Months Ended March 31, 2015		
	Unrealized Gains (Losses) on Available-for Sale Securities	Cash Flow Hedge	Total
Beginning balance	$ 72	$ (50)	$ 22
Other comprehensive income (loss) before reclassifications	2,685	9	2,694
Amounts reclassified from accumulated OCI	(1,777)	-	(1,777)
Net other comprehensive income	908	9	917
Less: Other comprehensive income attributable to noncontrolling interests	(43)	-	(43)
Acquired from noncontrolling interests	5	-	5
Ending balance	$ 942	$ (41)	$ 901

	Three Months Ended March 31, 2014		
	Unrealized Gains (Losses) on Available-for Sale Securities	Cash Flow Hedge	Total
Beginning balance	$ (10,350)	$ (122)	$ (10,472)
Other comprehensive income before reclassifications	6,618	10	6,628
Amounts reclassified from accumulated OCI	(979)	-	(979)
Net other comprehensive income	5,639	10	5,649
Less: Other comprehensive income attributable to noncontrolling interests	(131)	-	(131)
Ending balance	$ (4,842)	$ (112)	$ (4,954)

Presented below are the amounts reclassified out of accumulated other comprehensive income (loss) and recognized in earnings for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2015	**2014**
Unrealized gains (losses) on available-for-sale securities reclassified during the period to the following income statement line items:		
Net realized investment gains	$ 2,765	$ 1,477
Income before income tax	2,765	1,477
Tax effect	988	498
Net income	$ 1,777	$ 979

Note 9.

Share-Based Compensation

IHC and AMIC each have share-based compensation plans. The following is a summary of the activity pertaining to each of these plans.

A) IHC Share-Based Compensation Plans

Under the terms of IHC s stock-based compensation plans, option exercise prices are more than or equal to the quoted market price of the shares at the date of grant; option terms are generallyfive years; and vesting periods are generally three years. The fair value of an option award is estimated on the date of grant using the Black-Scholes option valuation model. In addition to stock options, the Company has also granted restricted stock units, share appreciation rights (SARs) and share-based performance awards under the plans. Restricted share units are valued at the quoted market price of the shares at the date of grant and have athree year vesting period. Compensation costs for options and restricted share units are recognized over the stated vesting periods on a straight-line basis. Exercise prices of SARs are more than or equal to the quoted market price of IHC shares at the date of the grant and havethree year vesting periods. The fair value of SARs is calculated using the Black-Scholes valuation model at the grant date and each subsequent reporting period until settlement. Compensation cost is based on the proportionate amount of the requisite service that has been rendered to date. Once fully vested, changes in fair value of the SARs continue to be recognized as compensation expense in the period of the change until settlement.

At March 31, 2015, there were 377,286 shares available for future stock-based compensation grants under IHC s stock incentive plans. The following table summarizes share-based compensation expense, which is included in selling, general and administrative expenses on the Condensed Consolidated Statements of Income, applicable to the IHC plans, by award type for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2015	**2014**
IHC s Share-based Compensation Plan:		
Stock options	$ 55	$ 66
Restricted stock units	21	19
SARs	(29)	(81)
Share-based compensation expense, pre-tax	47	4
Tax benefits	19	1
Share-based compensation expense, net	$ 28	$ 3

Stock Options

The IHC s stock option activity during 2015 was as follows:

	Shares Under Option	Weighted- Average Exercise Price
December 31, 2014	614,680	$ 9.33
Exercised	(14,600)	9.09
March 31, 2015	600,080	$ 9.34

In the first quarter of 2015, IHC received $133,000 in cash from the exercise of stock options with an aggregate intrinsic value of $63,000 and realized $10,000 of tax benefits.

The following table summarizes information regarding IHC s outstanding and exercisable options:

	March 31, 2015	
	Outstanding	Exercisable
Number of options	600,080	600,080
Weighted average exercise price per share	$ 9.34	$ 9.34
Aggregate intrinsic value for all options (in thousands)	$ 2,551	$ 2,551
Weighted average contractual term remaining	2.1 years	2.1 years

As of March 31, 2015, all of IHC s outstanding stock options are fully vested and all of the related compensation costs have been recognized.

Restricted Stock

At March 31, 2015 and December 31, 2014, there were 14,850 unvested restricted stock units outstanding with a weighted average grant-date fair value of $12.09 per share.

As of March 31, 2015, the total unrecognized compensation expense related to non-vested restricted stock unit awards was $110,000 which is expected to be recognized over the remaining requisite weighted-average service period of 1.5 years.

SARs

IHC had 131,350 and 136,850 of SAR awards outstanding at March 31, 2015 and December 31, 2014, respectively. In the first quarter of 2015, 5,500 SARs were exercised with an aggregate intrinsic value of $29,000. Included in Other Liabilities in the Company s Condensed Consolidated Balance Sheets at March 31, 2015 and December 31, 2014 are liabilities of $733,000 and $791,000, respectively, pertaining to SARs.

B) AMIC Share-Based Compensation Plans

Under the terms of the AMIC s stock-based compensation plan, option exercise prices are equal to the quoted market price of the shares at the date of grant; option terms are ten years; and vesting periods range from threeto four years. The Company may also grant shares of restricted stock, stock appreciation rights and share-based performance awards.

The following table summarizes share-based compensation expense, which is included in selling, general and administrative expenses on the Condensed Consolidated Statements of Income, applicable to the AMIC share-based compensation plans, by award type for each of the periods indicated (in thousands):

	Three Months Ended March 31,	
	2015	**2014**
AMIC s Share-based Compensation Plans:		
Stock options	$ 11	$ 12
Share-based compensation expense, pre-tax	11	12
Tax benefits	4	4
Share-based compensation expense, net	$ 7	$ 8

Stock Options

AMIC s stock option activity for the three months ended March 31, 2015 is as follows:

	Shares Under Option	**Weighted- Average Exercise Price**
December 31, 2014	166,616	$ 10.50
Expired	(46,500)	14.10
March 31, 2015	120,116	$ 9.11

The following table summarizes information regarding AMIC s outstanding and exercisable options as of March 31, 2015:

	March 31, 2015	
	Outstanding	**Exercisable**
Number of options	120,116	102,337
Weighted average exercise price per share	$ 9.11	$ 9.06
Aggregate intrinsic value for all options (in thousands)	$ 215	$ 193
Weighted average contractual term remaining	4.10 years	3.28 years

As of March 31, 2015, the total unrecognized compensation expense related to AMIC s non-vested options was $72,000 which will be recognized over the remaining requisite service periods.

Note 10.

Supplemental Disclosures of Cash Flow Information

Net cash payments (receipts) for income taxes were $(132,000) and $229,000 during the three months ended March 31, 2015 and 2014.

Cash payments for interest were $438,000 and $464,000 during the three months ended March 31, 2015 and 2014, respectively.

Note 11.

Segment Reporting

The Insurance Group principally engages in the life and health insurance business. Information by business segment is presented below for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2015	**2014**
Revenues:		
Medical Stop-Loss	$ 56,012	$ 47,588
Fully Insured Health	46,532	66,539
Group disability, life, annuities and DBL	20,748	16,427
Individual life, annuities and other	8,924	8,938
Corporate	49	29
	132,265	139,521
Net realized investment gains	2,000	1,551
Total revenues	$ 134,265	$ 141,072
Income before income taxes:		
Medical Stop-Loss	$ 5,353	$ 4,738
Fully Insured Health[(A)]	1,277	1,908
Group disability, life, annuities and DBL	3,215	1,177
Individual life, annuities and other [(B)]	(1,053)	(1,109)
Corporate	(1,760)	(1,919)
	7,032	4,795
Net realized investment gains	2,000	1,551
Interest expense	(432)	(481)
Income before income taxes	$ 8,600	$ 5,865

(A)

The Fully Insured Health segment includes amortization of intangible assets. Total amortization expense was $263,000 and $492,000 for the three months ended March 31, 2015 and 2014. Amortization expense for the other segments is not material to their operating results.

(B)

For the three months ended March 31, 2015 and 2014, the Individual life, annuities and other segment includes $354,000 and $111,000 of amortization of deferred charges in connection with the assumptions of certain ceded life

and annuity policies.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

The following discussion of the financial condition and results of operations of Independence Holding Company ("IHC") and its subsidiaries (collectively, the "Company") should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements of the Company and the related Notes thereto appearing in our annual report on Form 10-K for the fiscal year ended December 31, 2014, as filed with the Securities and Exchange Commission, and our unaudited Condensed Consolidated Financial Statements and related Notes thereto appearing elsewhere in this quarterly report.

Overview

Independence Holding Company, a Delaware corporation (IHC), is a holding company principally engaged in the life and health insurance business through: (i) its insurance companies, Standard Security Life Insurance Company of New York ("Standard Security Life"), Madison National Life Insurance Company, Inc. ("Madison National Life"), Independence American Insurance Company (Independence American); and (ii) its marketing and administrative companies, including IHC Risk Solutions, LLC, IHC Health Solutions, Inc., IHC Specialty Benefits Inc. and IHC Carrier Solutions, Inc. IHC also owns a significant equity interest in a managing general underwriter (MGU) that writes medical stop-loss. Standard Security Life, Madison National Life and Independence American are sometimes collectively referred to as the Insurance Group . IHC and its subsidiaries (including the Insurance Group) are sometimes collectively referred to as the "Company", or IHC , or are implicit in the terms we , us and our . At Ma 31, 2015, the Company also owned approximately a 92% interest in American Independence Corp. ("AMIC").

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 the 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:

The results of operations for the three months ended March 31, 2015and 2014 are summarized as follows (in thousands):

	Three Months Ended March 31,	
	2015	**2014**
Revenues	$ 134,264	$ 141,072
Expenses	125,665	135,207
Income before income taxes	8,600	5,865
Income taxes	3,269	1,860
Net income	5,331	4,005
Less: Income from noncontrolling interests in subsidiaries	(112)	(304)
Net income attributable to IHC	$ 5,219	$ 3,701

o

Net income of $.30 per share, diluted, for the three months ended March 31, 2015 compared to $.21 per share, diluted, for the same period in 2014.

o

Consolidated investment yields (on an annualized basis) of 3.2% for the three months ended March 31, 2015 compared to 3.5% for the comparable period in 2014;

o

Book value of $17.11 per common share at March 31, 2015 compared to $16.76 at December 31, 2014.

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

o

The Medical Stop-Loss segment reported income before taxes of $5.4 million for the first quarter of 2014 compared to $4.7 million in the same quarter in 2014. The increase is largely a result of increased volume in 2015;

o

Premiums earned increased $8.2 million for the three months March 31, 2015 when compared to the same periods in 2014. The increase in premiums earned is primarily due to increased volume of business produced by IHC Risk Solutions.

o

Underwriting experience for the Medical Stop-Loss segment, as indicated by its U.S. GAAP Combined Ratios, is as follows for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2015	**2014**
Premiums Earned	$ 53,758	$ 45,586
Insurance Benefits, Claims & Reserves	39,421	31,825
Expenses	10,919	10,281
Loss Ratio[(A)]	73.3%	69.8%
Expense Ratio [(B)]	20.3%	22.6%
Combined Ratio [(C)]	93.6%	92.4%

(A)

Loss represents insurance benefits, claims and reserves divided by premiums earned.

(B)

Expense ratio represents 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 expense ratio.

o

Higher loss ratios in 2015 are the result an increase in claims and reserves on certain assumed business. Lower expense ratios are due to lower commission expenses.

.

The Fully Insured Health segment reported $1.3 million of income before taxes for the three months ended March 31, 2015 as compared to $1.9 million for the comparable period in 2014. The decrease is primarily due to lower fee income in 2015 as a result of the planned run-off of major medical health plans for individuals and families (IMM), which we began to exit in 2013, partially offset by significantly lower loss ratio and lower combined ratio in 2015;

o

Premiums earned decreased $14.0 million for the three months ended March 31, 2015 over the comparable period in 2014. Largely as a result of the strategic decision to focus on ancillary products instead of major medical, premiums decreased by $18.8 million. This decrease was partially offset by increases in the ancillary business as a result of new product launches and broader marketing of our short-term medical plans, and by growth in pet insurance, international and occupational accident lines of business.

o

Underwriting experience, as indicated by its U.S. GAAP Combined Ratios, for the Fully Insured segment are as follows for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2015	**2014**

Premiums Earned	$	43,292	$	57,309
Insurance Benefits, Claims & Reserves		24,157		37,421
Expenses		16,730		19,010
Loss Ratio		55.8%		65.3%
Expense Ratio		38.6%		33.2%
Combined Ratio		94.4%		98.5%

o

The lower loss ratio in 2015 is primarily attributable to the effects of exiting the IMM markets. In 2014, we began to adjust our mix of business from major medical to that of a specialty health insurance company and, as a result, loss ratios have improved although expense ratios associated with these types of products are somewhat higher.

.

Income before taxes from the Group disability, life, annuities and DBL segment increased $2.0 million for the three months ended March 31, 2015 compared to the same period in 2014. The increase in the first-quarter results primarily reflects increases in group term life and LTD lines due to increased volume and retentions combined with lower loss

ratios;

.

The Individual life, annuities and other segment reported losses before income taxes of $1.1 million for both the three months ended March 31, 2015 and 2014;

.

Losses before tax from the Corporate segment decreased $0.1 million in the three months ended March 31, 2015 over the same periods of 2014; and

.

Premiums by principal product for the periods indicated are as follows (in thousands):

Gross Direct and Assumed Earned Premiums:	Three Months Ended March 31, 2015	2014
Medical Stop-Loss	$ 74,480	$ 57,394
Fully Insured Health	47,993	63,670
Group disability, life, annuities and DBL	28,696	26,351
Individual, life, annuities and other	6,358	7,018
	$ 157,527	$ 154,433

Net Direct and Assumed Earned Premiums:	Three Months Ended March 31, 2015	2014
Medical Stop-Loss	$ 53,758	$ 45,586
Fully Insured Health	43,292	57,309
Group disability, life, annuities and DBL	19,936	15,561
Individual, life, annuities and other	5,128	4,814
	$ 122,114	$ 123,270

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform to U.S. generally accepted accounting principles ("GAAP"). The preparation of the Condensed Consolidated Financial Statements in conformity with U.S. 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 Item 8 of the Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Management has identified the accounting policies related to *Insurance Premium Revenue Recognition and Policy Charges, Insurance Liabilities, Deferred Acquisition Costs, Investments, Goodwill and Other Intangible Assets, and Deferred Income Taxes* 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. A full discussion of these policies is included under the heading, Critical Accounting Policies in Item 7 of the Annual Report on Form 10-K for the fiscal year ended December 31, 2014. During the three months ended March 31, 2015, there were no additions to or changes in the critical accounting policies disclosed in the 2014 Form 10-K except for the recently adopted accounting standards discussed in Note 1(D) of the Notes to Condensed Consolidated Financial Statements.

Results of Operations for the Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014

Information by business segment for the three months ended March 31, 2015 and 2014 is as follows:

March 31, 2015 (In thousands)	Premiums Earned	Net Investment Income	Fee and Other Income	Benefits, Claims and Reserves	Amortization of Deferred Acquisition Costs	Selling, General and Administrative	Total
Medical Stop-Loss	$ 53,758	1,112	1,142	39,421	-	11,238	$ 5,353
Fully Insured Health	43,292	605	2,635	24,157	121	20,977	1,277
Group disability, life, annuities and DBL	19,936	771	41	11,345	-	6,188	3,215
Individual life, annuities and other	5,128	2,904	892	4,697	1,343	3,937	(1,053)
Corporate	-	49	-	-	-	1,809	(1,760)
Sub total	$ 122,114	$ 5,441	$ 4,710	$ 79,620	$ 1,464	$ 44,149	7,032
Net realized investment gains							2,000
Interest expense on debt							(432)
Income before income taxes							8,600
Income taxes							3,269
Net income							$ 5,331

March 31, 2014 (In thousands)	Premiums Earned	Net Investment Income	Fee and Other Income	Benefits, Claims and Reserves	Amortization of Deferred Acquisition Costs	Selling, General and Administrative	Total
Medical Stop-Loss	$ 45,586	1,215	787	31,825	-	11,025	$ 4,738
Fully Insured Health	57,309	646	8,584	37,421	212	26,998	1,908
Group disability, life, annuities and DBL	15,561	834	32	10,635	-	4,615	1,177
Individual life, annuities and other	4,814	3,077	1,047	5,428	1,070	3,549	(1,109)
Corporate	-	29	-	-	-	1,948	(1,919)
Sub total	$ 123,270	$ 5,801	$ 10,450	$ 85,309	$ 1,282	$ 48,135	4,795

Net realized investment gains	1,551
Interest expense on debt	(481)
Income before income taxes	5,865
Income taxes	1,860
Net income	$ 4,005

Premiums Earned

In the first quarter of 2015, premiums earned decreased $1.2 million over the comparable period of 2014. The decrease is primarily due to: (i) a decrease of $14.0 million in the Fully Insured Health segment as a result of a $18.8 million decrease in premiums from exiting the IMM line and from a decrease in the small group major medical line, partially offset by premium increases in the ancillary lines (primarily short-term medical), pet, international and occupational accident lines of business as a result of higher volume; partially offset by (ii) an $8.2 million increase in earned premiums from the Medical Stop-Loss segment as a result of higher volume; and (iii) a $4.3 million increase in the Group disability, life, annuities and DBL segment primarily due to increased volume and retentions in the group term life and LTD lines.

Net Investment Income

Total net investment income decreased $0.4 million. The overall annualized investment yields were 3.2% and 3.5% in the first quarter of 2015 and 2014, respectively. The overall decrease was primarily a result of a decrease in investment income on bonds, equities and short-term investments. The annualized

investment yields on bonds, equities and short-term investments were 3.0% and 3.4% in the first quarter of 2015 and 2014, respectively. IHC has approximately $191.2 million in highly rated shorter duration securities earning on average 1.2%. A portfolio that is shorter in duration enables us, if we deem prudent, the flexibility to reinvest in much higher yielding longer-term securities, which would significantly increase investment income.

Net Realized Investment Gains

The Company had net realized investment gains of $2.0 million in 2015 compared to $1.6 million in 2014. These amounts include gains and losses from sales of fixed maturities and equity securities available-for-sale 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.

Fee Income and Other Income

Fee income decreased $5.7 million for the three-month period ended March 31, 2015 compared to the three-month period ended March 31, 2014 primarily as a result of decreased volume in certain lines of the Fully Insured Health segment partially offset by increased volume in the Medical Stop-Loss segment.

Other income in the first quarter of 2015 was comparable to the same period in 2014.

Insurance Benefits, Claims and Reserves

In the first quarter of 2015, insurance benefits, claims and reserves decreased $5.7 million over the comparable period in 2014. The decrease is primarily attributable to: (i) a decrease of $13.3 million in the Fully Insured Health segment, primarily due to a decrease of $15.6 million in benefits, claims and reserves related to the run-off of the IMM and from lower loss ratios in 2015; partially offset by increases in the volume of ancillary products, pet, international and occupational accident lines of business; and (ii) a decrease of $0.7 million in the Individual life, annuity and other segment, primarily as a result of business in run-off; partially offset by (iii) an increase of $7.6 million in benefits, claims and reserves in the Medical Stop-Loss segment as a result of an increase in premium volume and slightly higher loss ratios; and (iv) an increase of $0.7 million in the group disability, life, annuities and DBL segment, primarily due to increased volume and retention in the group term life and LTD lines partially offset by lower loss ratios.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses decreased $4.0 million over the comparable period in 2014. The decrease is primarily attributable to: (i) a decrease of $6.0 million in the Fully Insured Health segment largely due to the run-off of the IMM partially offset by increases in general expenses as a result of the higher volume of ancillary, pet, international and occupational accident business, which tends to have a higher expense structure than major medical; partially offset by (ii) an increase of $0.2 million in the Medical Stop-Loss segment as a result of increased volume offset by lower commission expenses; (iii) an increase of $1.6 million in the group disability, life, annuities and DBL segment primarily due to increased commission expense in the LTD line as a result of new business and changes in retention levels; and (iv) an increase of $0.4 million in Individual life, annuity and other segment primarily due to the amortization of deferred costs in correlation with the assumptions of certain ceded life and annuity policies.

Income Taxes

The effective tax rate for the three months ended March 31, 2015 and 2014 was 38.0% and 31.7%, respectively. The higher effective tax rate in 2015 was primarily due to a decrease in benefits from tax-advantaged securities as a percentage of income in 2015 and an increase in non-deductible expenses in 2015 as a result of the Affordable Care Act.

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. No dividends were declared or paid by the Insurance Group during the three months ended March 31, 2015 or 2014.

Cash Flows

The Company had $20.6 million and $25.1 million of cash and cash equivalents as of March 31, 2015 and December 31, 2014, respectively.

For the three months ended March 31, 2015, operating activities of the Company provided $6.8 million of cash, $8.0 million was utilized for the settlement of investment activities and $3.3 million of cash was utilized for financing activities. Financing activities include $1.6 million utilized for the purchase of AMIC shares from noncontrolling interests, $0.6 million for the payment of dividends and $0.6 million for treasury share purchases.

The Company has $520.9 million of liabilities for future policy benefits and policy benefits and claims 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 three months ended March 31, 2015, cash received from the maturities and other repayments of fixed maturities was $12.1 million.

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

The Company had net receivables from reinsurers of $225.9 million at March 31, 2015 compared to $230.3 million at December 31, 2014. All of such reinsurance receivables are from highly rated companies or are adequately secured. No allowance for doubtful accounts was necessary at March 31, 2015.

The Company's liability for policy benefits and claims by segment are as follows (in thousands):

	Policy Benefits and Claims	
	March 31, 2015	December 31, 2014
Medical Stop-Loss	$ 86,660	$ 80,128
Fully Insured Health	52,035	50,285
Group Disability	99,457	99,310
Individual A&H and Other	6,895	7,080
	$ 245,047	$ 236,803

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 (ii) the adherence to the Company's underwriting guidelines. Changes in these underlying factors are what determine the reasonably likely changes in the Projected Net Loss Ratio.

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 on the Company s financial condition, results of operations, or liquidity.

The $5.5 million increase in IHC s stockholders' equity in the first three months of 2015 is primarily due to $5.2 million of net income attributable to IHC and $0.9 million of other comprehensive income attributable to IHC, partially offset by $0.6 million of treasury stock purchases.

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 $5.1 million at March 31, 2015, approximately 99.8% 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

March 31, 2015, approximately 0.2% (or $1.0 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 Company does not have any non-performing fixed maturities at March 31, 2015.

The Company reviews its investments regularly and monitors its investments continually for impairments. There were no securities with fair values less than 80% of their amortized cost at March 31, 2015 and the Company did not record any other-than-temporary impairment losses in the three months ended March 31, 2015 or 2014.

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 March 31, 2015. In 2015, the Company recorded $4.2 million of net unrealized gains on available-for sale securities, pre-tax, in other comprehensive income (loss) prior to DAC and reclassification adjustments. 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.

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.

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 maturity distribution of the Company s obligations, as of March 31, 2015, is not materially different from that reported in the schedule of such obligations at December 31, 2014 which was included in Item **7** of the Company s Annual Report on Form 10-K.

OUTLOOK

For 2015, we anticipate:

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Continued growth in our medical stop-loss segment as the demand for this product continues to grow and Risk Solutions continues to build its reputation as a direct writer and provider of captive solutions.

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Continued significant decrease in major medical premiums in 2015 as we have exited individual major medical and significantly reduced our block of small group major medical, however, we had negative underwriting results on this line of business in 2014 so less premium is improving our underwriting margins although generating decreases in

administrative revenues. This reduction in premium will be partially offset by continuing to increase sales of short-term and supplemental health products, such as dental, accidental medical, gap and critical illness products partially offset by a decrease in fixed indemnity limited benefit plans due to a change in the law.

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Increasing emphasis on direct-to-consumer and career advisor distribution initiatives as we believe this will be a growing means for selling health insurance in the coming years, and accompanying start-up costs of expanding our sales through our call center, career model and transactional websites.

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Increasing retention in our group life and disability lines of business. In 2015, we expect a more significant increase in group long-term and short-term disability products driven by higher retention amounts and a full year of premiums generated by a relatively new distribution partnership.

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Continued evaluation of strategic transactions and responses to inquiries regarding the sale of certain assets that could unlock shareholder value.

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Continued focus on administrative efficiencies.

The Company will remain highly liquid in 2015 as a result of the continuing shorter duration of the 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 2015. IHC has approximately $191.2 million in highly rated shorter maturity securities earning on average 1.2%; 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 in the future. 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 2015, we expect to continue to achieve significant growth in our controlled direct written stop-loss business through Risk Solutions while maintaining underwriting profitability consistent with the prior year. The favorable results of Risk Solutions are a direct result of their positioning to take advantage of market trends, including consolidation of relationships by producers and increased interest in stop-loss as a result of health care reform. We see these trends continuing and strengthening in 2015 and beyond. Risk Solutions has established a reputation in the market for delivering innovative solutions for small to medium sized employer groups looking for self-funded alternatives. Risk Solutions has also established a reputation in the market for fair and responsible pricing and superior service levels. We foresee continued growth and favorable underwriting results as more of our stop-loss business comes through the Risk Solutions platform.

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 has been affected by the passage of the Patient Protection and Affordable Care Act of 2010, as amended, and its subsequent interpretations by state and federal regulators. While the law has influenced our decision, and that of many other insurers, to exit or reduce their presence in major medical essential health benefit (EHB) plans in the small employer and individual markets, non-EHB lines of business and medical stop-loss have been impacted by health care reform minimally or not at all.

Our results depend on the adequacy of our product pricing, our underwriting, the accuracy of our reserving methodology, returns on our invested assets, and our ability to manage expenses. We will also need to be diligent with the increased rate review scrutiny to effect timely rate changes and will need to stay focused on the management of medical cost drivers as medical trend levels cause margin pressures. Therefore, factors affecting these items, as well as unemployment and global financial markets, may have a material adverse effect on our results of operations and financial condition.

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ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 and other derivatives may be utilized to modify the duration and average life of such assets.

The Company monitors its investment portfolio on a continuous basis and believes that the liquidity of the Insurance Group will not be adversely affected by its current investments. This monitoring includes the maintenance of an asset-liability model that matches current insurance liability cash flows with current investment cash flows. This is accomplished by first creating an insurance model of the Company's in-force policies using current assumptions on mortality, lapses and expenses. Then, current investments are assigned to specific insurance blocks in the model using appropriate prepayment schedules and future reinvestment patterns.

The results of the model specify whether the investments and their related cash flows can support the related current insurance cash flows. Additionally, various scenarios are developed changing interest rates and other related assumptions. These scenarios help evaluate the market risk due to changing interest rates in relation to the business of the Insurance Group.

The expected change in fair value as a percentage of the Company's fixed income portfolio at March 31, 2015 given a 100 to 200 basis point rise or decline in interest rates is not materially different than the expected change at December 31, 2014 included in Item 7A of the Company s Annual Report on Form 10-K.

In the Company's analysis of the asset-liability model, a 100 to 200 basis point change in interest rates on the Insurance Group's liabilities would not be expected to have a material adverse effect on the Company. With respect to its liabilities, if interest rates were to increase, the risk to the Company is that policies would be surrendered and assets would need to be sold. This is not a material exposure to the Company since a large portion of the Insurance Group's interest sensitive policies are burial policies that are not subject to the typical surrender patterns of other interest sensitive policies, and many of the Insurance Group's universal life and annuity policies were acquired from liquidated companies which tend to exhibit lower surrender rates than such policies of continuing companies. Additionally, there are charges to help offset the benefits being surrendered. If interest rates were to decrease substantially, the risk to the Company is that some of its investment assets would be subject to early redemption. This is not a material exposure because the Company would have additional unrealized gains in its investment portfolio to help offset the future reduction of investment income. With respect to its investments, the Company employs (from time to time as warranted) investment strategies to mitigate interest rate and other market exposures.

ITEM 4.

CONTROLS AND PROCEDURES

IHC s Chief Executive Officer and Chief Financial Officer supervised and participated in IHC s evaluation of its disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in IHC s periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms. Based upon that evaluation, IHC S Chief Executive Officer and Chief Financial Officer concluded that IHC s disclosure controls and procedures are effective.

There has been no change in IHC s internal control over financial reporting during the quarter ended March 31, 2015 that has materially affected, or is reasonably likely to materially affect, IHC's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

We are involved in legal proceedings and claims that arise in the ordinary course of our businesses. We have established reserves that we believe are sufficient given information presently available related to our outstanding legal proceedings and claims. We do not anticipate that the result of any pending legal proceeding or claim will have a material adverse effect on our financial condition or cash flows, although there could be such an effect on our results of operations for any particular period.

ITEM 1A.

RISK FACTORS

There were no material changes from the risk factors previously disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2014 in Item 1A to Part 1 of Form 10-K.

ITEM 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Share Repurchase Program

IHC has a program, initiated in 1991, under which it repurchases shares of its common stock. In August 2014, the Board of Directors authorized the repurchase of up to 500,000 shares of IHC s common stock, in addition to prior authorizations, under the 1991 plan. As of March 31, 2015, 419,394 shares were still authorized to be repurchased under the plan. Share repurchases during the first quarter of 2015 are summarized as follows:

	2015		
Month of Repurchase	Shares Repurchased	Average Price of Repurchased Shares	Maximum Number Of Shares Which Can be Repurchased

January	-	$	-	468,218
February	20,556	$	12.34	447,662
March	28,268	$	12.12	419,394

ITEM 3.

DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4.

MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5.

OTHER INFORMATION

Not applicable.

ITEM 6.

EXHIBITS

3.1

Restated Certificate of Incorporation of Independence Holding Company (Filed as Exhibit 3(i) to our Quarterly Report on Form 10-Q for the quarter ended June 30, 1996 and incorporated herein by reference).

3.2

Certificate of Amendment of Restated Certificate of Incorporation of Independence Holding Company (Filed as Exhibit 3.1 to our Current Report on Form 8-K filed with the SEC on July 29, 2004 and incorporated herein by reference).

3.3

By-Laws of Independence Holding Company (Filed as Exhibit 3.3 to our Annual Report on Form 10-K for the year ended December 31, 2006 and incorporated herein by reference), as amended by Amendment to By-Laws of Independence Holding Company (Filed as Exhibit 3.2 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 and incorporated herein by reference).

10.1

Officer Employment Agreement, made as of April 18, 2011, by and among Independence Holding Company, Standard Security Life Insurance Company of New York and Mr. David T. Kettig (Filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on April 22, 2011 and incorporated herein by reference).

10.2

Officer Employment Agreement, made as of April 18, 2011, by and among Independence Holding Company, Madison National Life Insurance Company, Inc. and Mr. Larry R. Graber (Filed as Exhibit 10.2 to our Current Report on Form 8-K filed with the SEC on April 22, 2011 and incorporated herein by reference).

10.3

Officer Employment Agreement, made as of April 18, 2011, by and between Independence Holding Company and Ms. Teresa A. Herbert (Filed as Exhibit 10.5 to our Current Report on Form 8-K filed with the SEC on April 22, 2011 and incorporated herein by reference).

10.4

Officer Employment Agreement, made as of May 11, 2011, by and between Independence Holding Company and Mr. Roy T.K. Thung (Filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended March 31, 2011 that was filed with the SEC on May 12, 2011, and incorporated herein by reference).

10.5 Officer Employment Agreement, by and among Independence Holding Company, IHC Risk Solutions, LLC and Mr. Michael A. Kemp, dated as of May 22, 2012 (Filed as Exhibit 10.3 to our Current Report on Form 8-K filed with the SEC on May 29, 2012, and incorporated herein by reference).

31.1

Certification of the Chief Executive Officer and President Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

31.2

Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

32.1

Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

32.2

Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

101.INS

XBRL Instance Document. *

101.SCH

XBRL Taxonomy Extension Schema Document. *

101.CAL

XBRL Taxonomy Extension Calculation Linkbase Document. *

101.LAB

XBRL Taxonomy Extension Label Linkbase Document. *

101.PRE

XBRL Taxonomy Extension Presentation Linkbase Document. *

101.DEF

XBRL Taxonomy Extension Definition Linkbase Document. *

* Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INDEPENDENCE HOLDING COMPANY

(REGISTRANT)

By:

/s/Roy T. K. Thung

Date:

May 8, 2015

Roy T.K. Thung

Chief Executive Officer, President

and Chairman

By:

/s/Teresa A. Herbert

Date:

May 8, 2015

Teresa A. Herbert

Senior Vice President and

Chief Financial Officer