

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 SHARES TENDERED PURSUANT TO THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.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.

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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](http://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
<b>Independence Holding Company historical data</b>	
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
<b>American Independence Corp. historical data</b>	
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	