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 **September 30, 2021.**

[ ] 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, CT	**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.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $1.00 par value	IHC	NYSE

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, if any, every Interactive Data File required to be submitted 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 such files). Yes [X] No [ ]

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

As of November 9, 2021, the registrant had 14,674,936 shares of Common Stock outstanding.

INDEPENDENCE HOLDING COMPANY

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Copies of the Company’s SEC filings can be found on its website at www.ihcgroup.com.

Forward-Looking Statements

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

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

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

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

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

	September 30, 2021 (Unaudited)	December 31, 2020
ASSETS:		
Investments:		
Securities purchased under agreements to resell	$ 25,458	$ 23,962
Fixed maturities, available-for-sale	29,070	44,003
Other investments	2,050	1,928
Total investments	56,578	69,893
Cash and cash equivalents	7,946	17,215
Investment in Iguana Capital, Inc. ("Iguana Capital") (Note 2)	33,475	-
Funds held in escrow	78,263	-
Other assets	33,975	49,475
Assets attributable to discontinued operations (Note 2)	995,383	946,573
TOTAL ASSETS	$ 1,205,620	$ 1,083,156
LIABILITIES AND EQUITY:		
LIABILITIES:		
Accounts payable, accruals and other liabilities	$ 39,817	$ 28,387
Liabilities attributable to discontinued operations (Note 2)	601,253	582,651
TOTAL LIABILITIES	641,070	611,038
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interest	-	2,312
STOCKHOLDERS' EQUITY:		
Preferred stock $1.00 par value, 100,000 shares authorized; none issued or outstanding	-	-
Common stock $1.00 par value, 23,000,000 shares authorized; 18,625,458 shares issued; and 14,674,936 and 14,643,047 shares outstanding	18,625	18,625
Paid-in capital	125,357	124,757
Accumulated other comprehensive income	2,320	4,197
Treasury stock, at cost; 3,950,522 and 3,982,411 shares	(77,247)	(77,088)
Retained earnings	495,498	399,273
TOTAL IHC STOCKHOLDERS' EQUITY	564,553	469,764
NONREDEEMABLE NONCONTROLLING INTERESTS	(3)	42
TOTAL EQUITY	564,550	469,806
TOTAL LIABILITIES AND EQUITY	$ 1,205,620	$ 1,083,156

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 September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
REVENUES:				
Net investment income	$ 119	$ 170	$ 430	$ 916
Fee income	5,569	6,113	20,291	18,465
Other income	873	615	1,660	1,739
Net investment gains (losses)	(48)	(53)	105	122
	6,513	6,845	22,486	21,242
EXPENSES:				
Selling, general and administrative expenses	21,592	16,431	53,028	43,221
Loss from continuing operations before income taxes	(15,079)	(9,586)	(30,542)	(21,979)
Income tax benefits	(3,567)	(2,241)	(7,026)	(5,617)
Loss from continuing operations, net of tax	(11,512)	(7,345)	(23,516)	(16,362)
Discontinued operations (Note 2):				
Total pretax income from discontinued operations	36,383	20,295	150,376	38,790
Income tax expense on discontinued operations	7,512	4,218	27,567	8,836
Income from discontinued operations, net of tax	28,871	16,077	122,809	29,954
Net income	17,359	8,732	99,293	13,592
(Income) loss from nonredeemable noncontrolling interests	-	5	2	(29)
(Income) loss from redeemable noncontrolling interests	-	(49)	156	(176)
NET INCOME ATTRIBUTABLE TO IHC	$ 17,359	$ 8,688	$ 99,451	$ 13,387
Basic income per common share				
Loss from continuing operations	$ (.79)	$ (.50)	$ (1.61)	$ (1.11)
Income from discontinued operations	1.97	1.09	8.40	2.02
Basic income per common share	$ 1.18	$ .59	$ 6.79	$ .91
WEIGHTED AVERAGE SHARES OUTSTANDING	14,654	14,670	14,645	14,763
Diluted income per common share				
Loss from continuing operations	$ (.79)	$ (.50)	$ (1.61)	$ (1.11)
Income from discontinued operations	1.97	1.09	8.40	2.02
Diluted income per common share	$ 1.18	$ .59	$ 6.79	$ .91
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	14,654	14,670	14,645	14,763

See the accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net income	$ 17,359	$ 8,732	$ 99,293	$ 13,592
Other comprehensive income (loss):				
Available-for-sale securities:				
Unrealized gains (losses) on available-for-sale securities, pre-tax	(1,139)	1,351	(2,387)	3,444
Tax expense (benefit) on unrealized gains (losses) on available-for-sale securities	(239)	287	(510)	738
Unrealized gains (losses) on available-for-sale securities, net of taxes	(900)	1,064	(1,877)	2,706
Other comprehensive income (loss), net of tax	(900)	1,064	(1,877)	2,706
COMPREHENSIVE INCOME, NET OF TAX	16,459	9,796	97,416	16,298
Comprehensive (income) loss, net of tax, attributable to noncontrolling interests:				
(Income) loss from noncontrolling interests in subsidiaries	-	(44)	158	(205)
Other comprehensive (income) loss, net of tax, attributable to noncontrolling interests	-	-	-	-
COMPREHENSIVE (INCOME) LOSS, NET OF TAX, ATTRIBUTABLE TO NONCONTROLLING INTERESTS	-	(44)	158	(205)
COMPREHENSIVE INCOME, NET OF TAX, ATTRIBUTABLE TO IHC	$ 16,459	$ 9,752	$ 97,574	$ 16,093

See the accompanying Notes to Condensed Consolidated Financial Statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited) (In thousands)
Three Months Ended September 30, 2021 and 2020

	COMMON STOCK	PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK, AT COST	RETAINED EARNINGS	TOTAL IHC STOCKHOLDERS' EQUITY	NONREDEEMABLE NONCONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT JUNE 30, 2021	$ 18,625	$ 125,653	$ 3,220	$ (77,189)	$ 478,139	$ 548,448	$ 40	$ 548,488
Net income					17,359	17,359	-	17,359
Other comprehensive loss, net of tax			(900)			(900)	-	(900)
Repurchases of common stock				(381)		(381)	-	(381)
Share-based compensation		(233)		323		90	-	90
Distributions to noncontrolling interests		(63)				(63)	(43)	(106)
BALANCE AT SEPTEMBER 30, 2021	$ 18,625	$ 125,357	$ 2,320	$ (77,247)	$ 495,498	$ 564,553	$ (3)	$ 564,550
BALANCE AT JUNE 30, 2020	$ 18,625	$ 123,804	$ 2,854	$ (74,325)	$ 388,317	$ 459,275	$ 49	$ 459,324
Net income					8,688	8,688	(5)	8,683
Other comprehensive income, net of tax			1,064			1,064	-	1,064
Repurchases of common stock				(2,452)		(2,452)	-	(2,452)
Share-based compensation		550		91		641	-	641
BALANCE AT SEPTEMBER 30, 2020	$ 18,625	$ 124,354	$ 3,918	$ (76,686)	$ 397,005	$ 467,216	$ 44	$ 467,260

See the accompanying Notes to Condensed Consolidated Financial Statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited) (In thousands)
Nine Months Ended September 30, 2021 and 2020

	COMMON STOCK	PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK, AT COST	RETAINED EARNINGS	TOTAL IHC STOCKHOLDERS' EQUITY	NONREDEEMABLE NONCONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT DECEMBER 31, 2020	$ 18,625	$ 124,757	$ 4,197	$ (77,088)	$ 399,273	$ 469,764	$ 42	$ 469,806
Net income					99,451	99,451	(2)	99,449
Other comprehensive loss, net of tax			(1,877)			(1,877)	-	(1,877)
Repurchases of common stock				(521)		(521)	-	(521)
Common stock dividends ($.22 per share)					(3,226)	(3,226)	-	(3,226)
Share-based compensation		663		362		1,025	-	1,025
Distributions to noncontrolling interests		(63)				(63)	(43)	(106)
BALANCE AT SEPTEMBER30, 2021	$ 18,625	$ 125,357	$ 2,320	$ (77,247)	$ 495,498	$ 564,553	$ (3)	$ 564,550
BALANCE AT DECEMBER 31, 2019	$ 18,625	$ 122,717	$ 1,212	$ (69,724)	$ 386,864	$ 459,694	$ 18	$ 459,712
Net income					13,387	13,387	29	13,416
Other comprehensive income, net of tax			2,706			2,706	-	2,706
Repurchases of common stock				(7,053)		(7,053)	-	(7,053)
Distributions to noncontrolling interests						-	(3)	(3)
Common stock dividends ($.22 per share)					(3,246)	(3,246)	-	(3,246)
Share-based compensation		1,637		91		1,728	-	1,728
BALANCE AT SEPTEMBER 30, 2020	$ 18,625	$ 124,354	$ 3,918	$ (76,686)	$ 397,005	$ 467,216	$ 44	$ 467,260

See the accompanying Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended September 30,	
	2021	**2020**
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES:		
Net income	$ 99,293	$ 13,592
Adjustments to reconcile net income to net change in cash from operating activities:		
Gain on disposal of discontinued operations	(74,008)	-
Pretax provision for loss on disposal	1,021	-
Deferred and sharebased compensation	7,001	2,929
Net amortization of purchased premium and discount in net investment income	408	481
Net investment (gains)	(105)	(122)
Depreciation and amortization	977	800
Other	13,975	4,710
Changes in assets and liabilities:		
Change in insurance liabilities	2,048	14,670
Change in amounts due from reinsurers	4,279	5,334
Change in claim fund balances	(1,133)	751
Change in due and unpaid premiums	(14,577)	(2,852)
Change in contract asset	(332)	-
Other operating activities	2,836	(2,508)
Net change in cash from operating activities	41,683	37,785
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES:		
Net (purchases) sales and maturities of short-term investments	2,560	(1,049)
Net (purchases) sales of securities under resale agreements	(145,314)	28,844
Sales of equity securities	3,494	-
Sales of fixed maturities	10,351	39,388
Maturities and other repayments of fixed maturities	56,634	96,964
Purchases of fixed maturities	(8,343)	(170,088)
Cash divested from deconsolidation of subsidiary	(4,878)	-
Payments to acquire business, net of cash acquired	-	(13,707)
Payments to acquire other investments	(2,500)	(1,250)
Other investing activities	(2,418)	(3,998)
Net change in cash from investing activities	(90,414)	(24,896)
CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES:		
Repurchases of common stock	(521)	(6,882)
Withdrawals of investment-type insurance contracts	(144)	(464)
Dividends paid	(6,443)	(6,215)
Other financing activities	(431)	94
Net change in cash from financing activities	(7,539)	(13,467)
Net change in cash, cash equivalents and restricted cash	(56,270)	(578)
Cash, cash equivalents and restricted cash, beginning of year, including discontinued operations	74,793	24,631
Cash, cash equivalents and restricted cash, end of period, including discontinued operations	$ 18,523	$ 24,053
NON-CASH ACTIVITY:		
Proceeds from sale of subsidiary – funds held in escrow	$ 78,263	$ -

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 underwriting, administering and/or distributing group and individual specialty benefit products, including disability, supplemental health, pet, and group life insurance 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"), and Independence American Insurance Company; and (ii) its marketing and administrative companies, including IHC Specialty Benefits Inc. ("IHCSB"), IHC Brokerage Group, Inc. ("IBG"), INSXCloud, Inc. ("INSXCloud") (formerly My1HR, Inc.), collectively the "IHC Agencies" and its lead generation company, Torchlight Technology Group LLC., ("Torchlight"). On June 30, 2021, the Company sold its majority interest in PetPartners, Inc. ("PetPartners"), a major distributor and administrator of pet insurance underwritten by Independence American Insurance Company and an unaffiliated insurer. Standard Security Life, Madison National Life and Independence American Insurance Company 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 Holdings, Inc., a financial holding company, through its wholly-owned subsidiaries (collectively "Geneve"), held approximately 62% of IHC's outstanding common stock as of September 30, 2021. In August 2021, IHC's Board of Directors received a preliminary, non-binding proposal from Geneve to acquire all of the outstanding shares of common stock of IHC that are not already beneficially owned by Geneve in a going-private transaction ("Going Private Transaction"). Geneve's proposed purchase price at that time was $50 per share, payable in cash. The Board of Directors formed a Special Committee of independent and disinterested directors to consider the proposal and to review, evaluate, negotiate and recommend the approval or disapproval of the proposal and consider alternatives. On November 9, 2021, the Special Committee concluded unanimously that a Going Private Transaction with a purchase price of $57 per share on the terms negotiated was fair and in the best interests of IHC's stockholders other than Geneve. Upon its approval by the Board of Directors, IHC, Geneve Holdings, Inc. and Geneve Acquisition Corp., a wholly owned subsidiary of Geneve Holdings, Inc., entered into a merger agreement ("Merger Agreement") pursuant to which holders of IHC's outstanding shares of common stock, excluding shares held by Geneve, will receive $57 per share in cash. The consummation of the Going Private Transaction is subject to certain closing conditions, including approval by the holders of a majority of IHC's outstanding shares of common stock that are not held by Geneve and its affiliates and the consummation of the pending sales of IHC's subsidiaries, Independence American Holdings Corp. and Standard Security Life discussed in Note 2. Further information regarding the terms and conditions in the Merger Agreement is contained in the Current Report on Form 8-K filed by IHC with the SEC on November 9, 2021.

(B) Basis of Presentation

The unaudited 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 unaudited 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 unaudited Condensed Consolidated Financial Statements.

During the second and third quarters of 2021, the Board of Directors committed to various plans for the disposal of several business operations (see Note 2). Each plan represents a strategic shift that will have a major effect on the Company's operations and financial results and as such, they each qualify for reporting as discontinued operations in 2021. The assets, liabilities, and related income and expenses associated with each disposal group are presented as discontinued operations in the accompanying condensed consolidated financial statements and Notes thereto for all periods presented.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global health pandemic and the United States declared a national health emergency. COVID-19 has led to largescale disruption in the global economy, market instability and widespread unemployment in the United States. The COVID-19 outbreak continues to be a fluid situation and as it evolves, the duration of COVID-19 and its potential effects on our business cannot be certain. Regulatory mandates have affected, and we anticipate will continue to impact, the insurance industry. We currently cannot predict if there will be a material impact to our business, results of operations or financial condition in future reporting periods. Consequently, future changes in market conditions may impact estimates used in the preparation of our financial statements associated with evaluations of goodwill and other intangible assets for impairment, estimates associated with the determination of valuation allowances related to net operating loss carryforwards, and estimates of certain losses under insurance contracts. These estimates may all be subject to substantial adjustments in future periods. In addition, volatile market conditions may result in declines in the fair value of our investment portfolio and possible impairments of certain securities.

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 and nine months ended September 30, 2021 are not necessarily indicative of the results to be anticipated for the entire year.

(C) Reclassifications

Certain amounts in prior year's condensed consolidated financial statements and Notes thereto have been reclassified to conform to the 2021 presentation, primarily for the effects of discontinued operations.

(D) Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standard Board ("FASB") issued guidance to simplify the accounting for income taxes. The guidance eliminates certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes, the requirement to allocate current and deferred tax expense to legal entities not subject to tax in its separate financial statements, enacted changes in tax laws or rates, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

In October 2021, the FASB issued guidance to improve comparability after a business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination. The guidance requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in the same manner that they were recognized and measured in the acquiree's financial statements before the acquisition. For public companies, the amendments in this guidance are effective for fiscal years beginning after December 15, 2022, and for interim periods within those fiscal years, with early implementation permitted, and should be applied prospectively to business combinations occurring on or after the effective date of the amendments. The amendments in this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In August 2018, the FASB issued guidance to improve existing measurements, presentation and disclosure requirements for long-duration contracts issued by insurance entities. The amendments in this guidance requires an entity to (1) review and update assumptions used to measure cash flows at least annually as well as update the discount rate assumption at each reporting date; (2) measure market risk benefits associated with deposit contracts at fair value; (3) disclose liability rollforwards and information about significant inputs, judgements assumptions, and methods used in measurement. Additionally, it simplifies the amortization of deferred acquisition costs and other balances on a constant level basis over the expected term of the related contracts. In 2019, the FASB delayed the original effective dates. For smaller reporting companies, the amendments in this guidance are now effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Upon adoption, the amendments in this guidance should be applied to contracts in-force as of the beginning of the earliest period presented with a cumulative adjustment to beginning retained earnings. Management is evaluating the requirements and potential impact that the adoption of this guidance will have on the Company's consolidated financial statements.

In June 2016, the FASB issued guidance requiring financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. An allowance for credit losses will be deducted from the amortized cost basis to present the net carrying value at the amount expected to be collected with changes in the allowance recorded in earnings. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than the currently applied U.S. GAAP method of taking a permanent impairment of the security, which would be limited to the amount by which fair value is below the amortized cost. Certain existing requirements used to evaluate credit losses have been removed. In 2019, the FASB provided transition relief by providing entities with an option to irrevocably elect the fair value option on an instrument-by-instrument basis for eligible instruments upon adoption and delayed the original effective dates. For smaller reporting companies, the amendments in this guidance are now effective for fiscal years beginning after December 15, 2022, including interim periods within those years. Early adoption is permitted. The amendments in this guidance should be applied through a cumulative effect adjustment to retained earnings upon adoption as of the beginning of the first reporting period in which the guidance is effective. Management is evaluating the requirements and potential impact that the adoption of this guidance will have on the Company's consolidated financial statements.

Note 2. Discontinued Operations

(A) Sale of Standard Security Life

On April 14, 2021, IHC and its wholly owned subsidiary, Independence Capital Corp. ("ICC"), entered into a Stock Purchase Agreement with Reliance Standard Life Insurance Company ("Reliance Standard") to sell all of the issued and outstanding capital stock of Standard Security Life, a wholly owned subsidiary of ICC, for an aggregate purchase price of $180,000,000 in cash. On July 29, 2021, the stock purchase agreement was amended and restated (the "SSL Amended Purchase Agreement"). In accordance with the SSL Amended Purchase Agreement, the Company will receive the excess of aggregate statutory capital and surplus, calculated as of the closing date, over $57,000,000. The closing of the transaction, the closing distribution and certain other items are subject to customary closing conditions including applicable regulatory approvals, one of which is the approval of the New York State Department of Financial Services ("NYSDFS"). Standard Security Life focuses on underwriting and selling its New York short-term disability ("DBL") and paid family leave rider ("PFL") products and ceded a portion of this business to Independence American Insurance

Company. We filed notice and received approval to cancel this reinsurance contract in accordance with the terms of the SSL Amended Purchase Agreement effective June 30, 2021. Under the terms of the SSL Amended Purchase Agreement, the sale transaction will include all of Standard Security Life's DBL and PFL business (including the DBL and PFL business previously ceded to Independence American Insurance Company) in addition to all its other lines of business. The DBL and PFL business being sold was part of the Company's Group disability, life, DBL and PFL segment. The aforementioned transaction, consisting of the sale of Standard Security Life, the closing distribution and other closing conditions, is collectively referred to as the "SSL Sale" transaction or disposal group. DBL and PFL are major product lines for the Company. The sale of Standard Security Life and resulting exit from DBL and PFL business represents a strategic shift that will have a major effect on the Company's operations and financial results. The SSL Sale transaction qualified for reporting as discontinued operations in the second quarter of 2021 upon the Board of Director's commitment to a plan for its disposal in April 2021. Provided that all regulatory approvals and other closing conditions are met, the Company expects to complete the SSL Sale transaction by the end of 2021.

Aside from customary transition services, there will be no continuing involvement with Standard Security Life after its disposal.

(B) Sale of Pet Division and Independence American Insurance Company ("Pets Sale")

On May 17, 2021, IHC and certain subsidiaries entered into agreements to sell a 70% controlling interest in its pet division, including all of the issued and outstanding capital stock of Independence American Insurance Company to a subsidiary of Iguana Capital, Inc. ("Iguana Capital"), an investment company specifically formed to facilitate this transaction as follows:

(i) IHC and its wholly owned subsidiary, IHC SB Holdings LLC ("SBH"), entered into a Stock Purchase Agreement (the "PPI Purchase Agreement") with Iguana Capital to sell its 85% interest in PetPartners for $77,000,000 in cash (subject to working capital adjustments);

(ii) IHC and its wholly owned subsidiary, AMIC Holdings, Inc. ("AMIC"), entered into a Stock Purchase Agreement (the "IAHC Purchase Agreement") with Iguana Capital to sell all of the stock of Independence American Holdings Corp. ("IAHC"), which owns all of the stock of Independence American Insurance Company and other pet assets, for $190,400,000 in cash (subject to adjustments for targeted statutory capital and surplus): and

(iii) Following each of the above, IHC will retain a 30% interest in the business sold in the form of an equity investment in Iguana Capital. IHC's equity interest in Iguana Capital will become diluted in the future as a result additional investments made by Iguana Capital unless IHC invests its pro rata share.

Both agreements are subject to customary closing conditions. The closing of the IAHC Purchase Agreement however is also subject to certain regulatory approvals, one of which is the approval of the Delaware Insurance Department. For this reason, the transaction was structured as two agreements such that the sale of PetPartners occurred on June 30, 2021, and the closing of the transactions contemplated in the IAHC Purchase Agreement will follow at a later date upon receipt of applicable regulatory approvals. Provided that all regulatory approvals and other closing conditions are met, the Company expects to complete the IAHC sale transaction by the end of 2021.

Under the terms of the IAHC Purchase Agreement, the transaction includes the sale of all Independence American Insurance Company's pet business and excludes other business lines. These excluded business lines will be reinsured by Madison National Life prior to closing. The reinsurance agreement will remain in effect until the underlying business runs out. The aforementioned transaction, consisting of the sale of PetPartners, IAHC and Independence American Insurance Company, and other closing conditions, is collectively referred to as the "Pets Sale" transaction or disposal group. The pet business being sold was part of the Company's Specialty Health segment. Because the pet business is a major product line for the Company, and the Company will no longer actively engage in the sales and marketing of pet insurance, the Pets Sale transaction represents a strategic shift that will have a major effect on the Company's operations and financial results. The Pets Sale transaction qualified for reporting as discontinued operations in the second quarter of 2021 as a result of the Board of Directors' commitment to a plan for the disposal of a controlling interest in its pet business in May 2021, and the execution of both the PPI Purchase Agreement and the IAHC Purchase Agreement on May 17, 2021.

On June 30, 2021, the Company completed the sale of its majority interest in PetPartners and, as a result, the Company ceased to have a controlling financial interest in PetPartners. Upon closing, the Company received proceeds of $78,263,000 (consisting of the purchase price and certain initial working capital adjustments), recognized an initial equity investment in Iguana Capital valued at $33,762,000, and recorded a $62,229,000 gain on the disposal, net of transaction costs and income taxes for the nine months ended September 30, 2021. Transaction costs consisting of transaction bonuses, legal expenses and financial advisor expenses amounted to an aggregate of $6,079,000. The PPI Purchase Agreement includes a waiver and consent to offer The American Kennel Club ("AKC"), PetPartners' minority shareholder, until December 31, 2021, the right to sell their shares at the same price and terms as in the PPI Purchase Agreement. In the event AKC desires to sell such its shares, Iguana Capital and SBH will equally finance the cash payment to AKC. In connection with the PPI Sale transaction, the Company recorded a $6,800,000 contingent liability (the maximum amount required) based on its belief that AKC will exercise this right. If for any reason the IAHC Purchase Agreement is terminated, then at the option of either SBH or an affiliate of Iguana Capital, IAHC may reacquire the Company's interest in PetPartners (the "PPI Put/Call Option"). The value of the PPI Put/Call Option was deemed to be negligible due to the structure of the put and call features, the short time horizon and the Company's belief that there is a low probability that the deal would be terminated. The proceeds received from the sale of PetPartners were deposited into an escrow account owned by SBH and treated as a security deposit. The funds will be released from escrow upon either the consummation of the IAHC sale transaction or upon the exercise of the PPI Put/Call Option. At September 30, 2021, the security deposit is presented as funds held in escrow on the Condensed Consolidated Balance Sheet.

Continuing involvement with the Pets Sale disposal group will consist of customary transition services, the PPI Put/Call Option and the equity investment in Iguana Capital. At September 30, 2021, the carrying value of the Company's 30% equity interest in Iguana Capital is $33,475,000. The investment is accounted for using the equity method of accounting, and for the three months and nine months ended September 30, 2021, the Company recorded an equity loss of $(287,000) on its investment in Iguana Capital. In the fourth quarter of 2021, the Company committed to invest an additional $3,200,000 to Iguana Capital, but as a result of the magnitude of other investments being made by Iguana Capital, the Company expects its equity interest in Iguana Capital will be diluted.

(C) Sale of Madison National Life

On July 14, 2021, IHC and its wholly owned subsidiary ICC entered into a stock purchase agreement (the "MNL Purchase Agreement") with Horace Mann Educators Corporation to sell all of the issued and outstanding capital stock of Madison National Life, which is wholly owned by ICC, for an aggregate purchase price of $172,500,000 in cash; in addition, if Madison National Life reaches specified financial targets in 2023, IHC will receive an additional purchase price of up to $12,500,000. In accordance with the MNL Stock Purchase agreement and prior to closing, Madison National Life will enter into a reinsurance agreement with Independence American Insurance Company to reinsure all of Independence American Insurance Company's non-pet business, primarily specialty health products, that are excluded from the Pets Sale transaction discussed above. The transaction has been approved by the Board of Directors of IHC, and IHC's majority stockholders have entered into a voting agreement under which such majority stockholders agreed to approve the transaction. IHC's majority stockholders approved the transaction by written consent on October 18, 2021. The closing is expected no earlier than January 1, 2022; and the transaction is subject to customary closing conditions, including applicable regulatory approvals, one of which is the approval by the Wisconsin Office of the Commissioner of Insurance. The aforementioned transaction, which includes the reinsured specialty health business of Independence American Insurance Company, is referred to as the "MNL Sale" transaction or disposal group and qualifies for reporting as discontinued operations in the third quarter of 2021 upon the

Board of Director’s commitment to the disposal plan in July 2021.

In addition to customary transition services, there will be some continuing involvement with Madison National Life after its disposal with regards to the runout of the reinsured specialty health lines of business.

The following is a reconciliation, by disposal group, of the carrying amounts of major classes of assets and liabilities included in discontinued operations on the Condensed Consolidated Balance Sheets for the periods indicated (in thousands):

	September 30, 2021			
	SSL Sale	**Pets Sale**	**MNL Sale**	**Total**
Major classes of assets:				
Investments and cash	$ 154,902	$ 151,036	$ 195,993	$ 501,931
Due from reinsurers	13,237	-	339,689	352,926
Goodwill	-	41,716	12,486	54,202
Other assets	36,431	16,663	33,230	86,324
Assets attributable to discontinued operations	$ 204,570	$ 209,415	$ 581,398	$ 995,383
Major classes of liabilities:				
Policy benefits and claims	$ 43,576	$ 13,727	$ 117,352	$ 174,655
Future policy benefits	20,650	-	174,534	195,184
Funds on deposit	593	-	141,935	142,528
Unearned premiums	13,956	6,497	1,791	22,244
Other liabilities	19,656	2,508	44,478	66,642
Liabilities attributable to discontinued operations	$ 98,431	$ 22,732	$ 480,090	$ 601,253

	December 31, 2020			
	SSL Sale	**Pets Sale**	**MNL Sale**	**Total**
Major classes of assets:				
Investments and cash	$ 114,916	$ 149,844	$ 193,821	$ 458,581
Due from reinsurers	13,188	-	344,017	357,205
Goodwill	-	62,414	12,486	74,900
Other assets	19,015	22,389	14,483	55,887
Assets attributable to discontinued operations	$ 147,119	$ 234,647	$ 564,807	$ 946,573
Major classes of liabilities:				
Policy benefits and claims	$ 39,296	$ 11,775	$ 128,161	$ 179,232
Future policy benefits	21,236	-	176,850	198,086
Funds on deposit	710	-	140,666	141,376
Unearned premiums	5,394	5,629	1,766	12,789
Other liabilities	10,382	8,012	32,774	51,168
Liabilities attributable to discontinued operations	$ 77,018	$ 25,416	$ 480,217	$ 582,651

The following is a reconciliation, by disposal group, of the major line items constituting the pretax profit of discontinued operations to the income from discontinued operations, net of tax, as shown on the Condensed Consolidated Statements of Income for the periods indicated (in thousands):

	For the Three Months Ended September 30, 2021			
	SSL Sale	Pets Sale	MNL Sale	Total
Revenues	$ 51,274	$ 32,138	$ 41,838	$ 125,250
Expenses:				
Insurance benefits, claims and reserves	20,214	19,301	12,974	52,489
Selling, general and administrative expenses	8,166	11,466	16,011	35,643
Pretax income of discontinued operations during phase-out	22,894	1,371	12,853	37,118
Pretax provision for loss on disposal	(59)	(86)	(64)	(209)
Pretax gain (loss) on disposal of discontinued operations	-	(526)	-	(526)
Total pretax income from discontinued operations	22,835	759	12,789	36,383
Income tax expense on discontinued operations	4,721	103	2,688	7,512
Income from discontinued operations, net of tax	$ 18,114	$ 656	$ 10,101	$ 28,871

	For the Three Months Ended September 30, 2020			
	SSL Sale	Pets Sale	MNL Sale	Total
Revenues	$ 30,222	$ 22,117	$ 54,036	$ 106,375
Expenses:				
Insurance benefits, claims and reserves	18,795	12,426	18,606	49,827
Selling, general and administrative expenses	6,398	7,766	22,089	36,253
Pretax income of discontinued operations during phase-out	5,029	1,925	13,341	20,295
Pretax provision for loss on disposal	-	-	-	-
Pretax gain on disposal of discontinued operations	-	-	-	-
Total pretax income from discontinued operations	5,029	1,925	13,341	20,295
Income tax expense on discontinued operations	1,031	402	2,785	4,218
Income from discontinued operations, net of tax	$ 3,998	$ 1,523	$ 10,556	$ 16,077

	For the Nine Months Ended September 30, 2021			
	SSL Sale	Pets Sale	MNL Sale	Total
Revenues	$ 146,915	$ 90,913	$ 128,857	$ 366,685
Expenses:				
Insurance benefits, claims and reserves	74,812	53,675	51,354	179,841
Selling, general and administrative expenses	23,365	35,038	51,052	109,455
Pretax income of discontinued operations during phase-out	48,738	2,200	26,451	77,389
Pretax provision for loss on disposal	(461)	(480)	(80)	(1,021)
Pretax gain on disposal of discontinued operations	-	74,008	-	74,008
Total pretax income from discontinued operations	48,277	75,728	26,371	150,376
Income tax expense on discontinued operations	10,046	11,982	5,539	27,567
Income from discontinued operations, net of tax	$ 38,231	$ 63,746	$ 20,832	$ 122,809

	For the Nine Months Ended September 30, 2020			
	SSL Sale	**Pets Sale**	**MNL Sale**	**Total**
Revenue	$ 92,419	$ 55,589	$ 155,272	$ 303,280
Expenses:				
Insurance benefits, claims and reserves	59,216	32,885	66,373	158,474
Selling, general and administrative expenses	22,895	17,915	65,206	106,016
Pretax income of discontinued operations during phase-out	10,308	4,789	23,693	38,790
Pretax provision for loss on disposal	-	-	-	-
Pretax gain on disposal of discontinued operations	-	-	-	-
Total pretax income from discontinued operations	10,308	4,789	23,693	38,790
Income tax expense on discontinued operations	2,488	1,143	5,205	8,836
Income from discontinued operations, net of tax	$ 7,820	$ 3,646	$ 18,488	$ 29,954

The assets and liabilities in discontinued operations are measured at the lower of their carry value or fair value less cost to sell. During the three months and nine months ended September 30, 2021, it was not necessary to write-down any assets or liabilities attributable to the disposal groups in discontinued operations to fair value, less costs to sell. The Company expects to recognize gains from the sales of these disposal groups, therefore, any costs to sell the disposal groups, primarily legal expenses, incurred prior to the actual disposal of the discontinued operation, are expensed when incurred and presented in pretax provision for loss on disposal in the tables above.

Pretax income (loss) from discontinued operations during phase-out attributable to IHC was $37,118,000 and $77,389,000 for the three and nine months ended September 30, 2021, respectively, and was $20,295,000 and $38,790,000 for the three and nine months ended September 30, 2020, respectively.

Total cash flows from operating activities of discontinued operations were $54,693,000 and $52,019,000 for the nine months ended September 30, 2021 and 2020, respectively. Total cash flows from investing activities of discontinued operations were $(100,302,000) and $(44,836,000) for the nine months ended September 30, 2021 and 2020, respectively.

On a consolidated basis, the Company recorded $7,512,000 and $4,218,000 of income taxes related to pretax income from discontinued operations for the three months ended September 30, 2021 and 2020, respectively, and $27,567,000 and $8,836,000 for the nine months ended September 30, 2021 and 2020, respectively. In 2021, the amounts for the nine months period include $11,675,000 of income taxes related to the pretax gain on disposal of discontinued operations. In connection with the sale of PetPartners, AMIC decreased its valuation allowance on existing deferred tax assets by $8,281,000 and utilized approximately $46,116,000 of its outstanding Federal net operating loss carryforwards (See Note 12). Differences between the Federal statutory income tax rate on discontinued operations and the Company's effective income tax rate on pretax income from discontinued operations are primarily the result of AMIC's decrease in its valuation allowance, state and local income taxes, nondeductible goodwill and other expenses.

Note 3. Income Per Common Share

Diluted income per share was computed using the treasury stock method. As a result of losses from continuing operations for the three months and nine months ended September 30, 2021 and 2020, such shares were deemed anti-dilutive.

The following is a reconciliation of income available to common shareholders used to calculate income per share for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Loss from continuing operations attributable to IHC	$ (11,512)	$ (7,340)	$ (23,514)	$ (16,391)
Income from discontinued operations attributable to IHC	28,871	16,028	122,965	29,778
Net income attributable to IHC	$ 17,359	$ 8,688	$ 99,451	$ 13,387

Note 4. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets to the amounts shown in the Condensed Consolidated Statements of Cash Flows for the periods indicated (in thousands):

	September 30,	
	2021	**2020**
Cash and cash equivalents	$ 7,946	$ 7,750
Restricted cash in other assets	362	681
Cash, cash equivalents and restricted cash in discontinued operations	10,215	15,622
Total cash, cash equivalents and restricted cash including discontinued operations	$ 18,523	$ 24,053

Restricted cash includes insurance premiums collected from insureds that are pending remittance to insurance carriers and/or payment of insurance claims and commissions to third party administrators. These amounts are required to be set aside by contractual agreements with the insurance carriers and are included in other assets on the Condensed Consolidated Balance Sheets.

Note 5. Investment Securities

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

	September 30, 2021			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	$ 17,435	$ 177	$ (92)	$ 17,520
CMOs – residential (1)	576	30	-	606
U.S. Government obligations	4,814	-	-	4,814
Agency MBS - residential (2)	33	-	(4)	29
States and political subdivisions	5,075	29	(31)	5,073
Foreign government obligations	1,009	19	-	1,028
Total fixed maturities	$ 28,942	$ 255	$ (127)	$ 29,070

	December 31, 2020			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	$ 26,898	$ 394	$ (193)	$ 27,099
CMOs – residential (1)	914	50	-	964
U.S. Government obligations	4,958	-	-	4,958
Agency MBS - residential (2)	39	-	(5)	34
States and political subdivisions	9,845	65	(45)	9,865
Foreign government obligations	1,050	33	-	1,083
Total fixed maturities	$ 43,704	$ 542	$ (243)	$ 44,003

(1) Collateralized mortgage obligations ("CMOs")
(2) Mortgage-backed securities ("MBS")

The amortized cost and fair value of fixed maturities available-for-sale at September 30, 2021, 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.

	AMORTIZED COST	FAIR VALUE
Due in one year or less	$ 1,111	$ 1,111
Due after one year through five years	13,840	13,824
Due after five years through ten years	1,931	2,015
Due after ten years	11,451	11,485
Fixed maturities with no single maturity date	609	635
	$ 28,942	$ 29,070

The following tables summarize, for all fixed maturities available-for-sale 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):

	September 30, 2021					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate securities	$ -	$ -	$ 10,720	$ 92	$ 10,720	$ 92
Agency MBS - residential	29	4	-	-	29	4
States and political subdivisions	401	8	1,095	23	1,496	31
Fixed maturities in an unrealized loss position	$ 430	$ 12	$ 11,815	$ 115	$ 12,245	$ 127
Number of fixed maturities in an unrealized loss position	2		2		4	

	December 31, 2020					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate securities	$ 10,998	$ 96	$ 4,453	$ 97	$ 15,451	$ 193
Agency MBS - residential	34	5	-	-	34	5
States and political subdivisions	4,269	14	1,124	31	5,393	45
Fixed maturities in an unrealized loss position	$ 15,301	$ 115	$ 5,577	$ 128	$ 20,878	$ 243
Number of fixed maturities in an unrealized loss position	5		2		7	

Substantially all of the unrealized losses on fixed maturities available-for-sale at September 30, 2021 and December 31, 2020 relate to investment grade securities. Management does not intend to sell, and it is likely that management will not be required to sell these securities prior to their anticipated recovery. The unrealized losses on the Company's fixed maturity securities are related to general market changes in interest rates, and/or the levels of credit spreads largely due to current market conditions relating to the COVID-19 pandemic rather than specific concerns with the issuer's ability to pay interest and repay principal. We have evaluated each corporate security’s credit rating as well as industry risk factors associated with the securities. The fair value of these securities is expected to recover as they approach maturity and therefore the Company does not consider these investments to be other-than-temporarily impaired at September 30, 2021.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Realized gains (losses):				
Fixed maturities available-for-sale	$ (48)	$ (53)	$ 105	$ 105
Total realized gains (losses) on debt and equity securities	(48)	(53)	105	105
Gains (losses) on other investments	-	-	-	17
Net investment gains (losses)	$ (48)	$ (53)	$ 105	$ 122

For the three months and nine months ended September 30, 2021, the Company realized gross gains of $0 and $188,000, respectively, and gross losses of $48,000 and $83,000, respectively, from sales, maturities and prepayments of fixed maturities available-for-sale. For the three months and nine months ended September 30, 2020, the Company realized gross gains of $0 and $162,000, respectively, and gross losses of $53,000 and $57,000, respectively, from sales, maturities and prepayments of fixed maturities available-for-sale.

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(v) to the Consolidated Financial Statements in the 2020 Annual Report on Form 10-K for further discussion of the factors considered by management in its regular review to identify and recognize other-than-temporary impairments on fixed maturities available-for-sale. The Company did not recognize any other-than-temporary impairments on available-for-sale securities in the first nine months of 2021 or 2020.

Note 6. 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.

Fixed maturities available-for-sale:

Fixed maturities available-for-sale included in Level 2 are comprised of our portfolio of government securities, agency mortgage-backed securities, corporate fixed income securities, foreign government obligations, collateralized mortgage obligations and municipals that were priced with observable market inputs. The Company does not have any level 3 securities in continuing operations at September 30, 2021 or December 31, 2020.

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

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	$ -	$ 17,520	$ -	$ 17,520
CMOs - residential	-	606	-	606
US Government obligations	-	4,814	-	4,814
Agency MBS - residential	-	29	-	29
States and political subdivisions	-	5,073	-	5,073
Foreign government obligations	-	1,028	-	1,028
Total fixed maturities	-	29,070	-	29,070
Total Financial Assets	$ -	$ 29,070	$ -	$ 29,070

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	$ -	$ 27,099	$ -	$ 27,099
CMOs - residential	-	964	-	964
US Government obligations	-	4,958	-	4,958
Agency MBS - residential	-	34	-	34
States and political subdivisions	-	9,865	-	9,865
Foreign government obligations	-	1,083	-	1,083
Total fixed maturities	-	44,003	-	44,003
Total Financial Assets	$ -	$ 44,003	$ -	$ 44,003

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

	September 30, 2021			December 31, 2020		
	Level 1 Fair Value	Level 2 Fair Value	Carrying Value	Level 1 Fair Value	Level 2 Fair Value	Carrying Value
FINANCIAL ASSETS:						
Securities purchased under agreements to resell	$ 25,458	$ -	$ 25,458	$ 23,962	$ -	$ 23,962

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:

Securities purchased under agreements to resell

Securities purchased under agreements to resell are carried at the amounts at which the securities will be subsequently resold, which approximates fair value.

Note 7. Variable Interest Entities

The Company has a minority interest in a limited partnership that we have determined to be a Variable Interest Entity ("VIE"). The aforementioned VIE is not required to be consolidated in the Company's condensed consolidated financial statements as we are not the primary beneficiary since we do not have the power to direct the activities that most significantly impact the VIE's economic performance.

The Company will periodically reassess whether we are the primary beneficiary in this investment. The reassessment process will consider whether we have acquired the power to direct the most significant activities of the VIE through changes in governing documents or other circumstances. Our maximum loss exposure is limited to our $2,050,000 carrying value in this equity investment, which is included in other investments in the Condensed Consolidated Balance Sheet as of September 30, 2021.

Note 8. Related Party Transactions

At September 30, 2021 and December 31, 2020, the Company's Condensed Consolidated Balance Sheets include $85,000 and $163,000, respectively, of administrative fees and other expenses payable to Ebix Health Exchange Holdings, LLC ("Ebix Health Exchange"), which are included in liabilities attributable to discontinued operations. The Company's Condensed Consolidated Statements of Income include administrative fee expenses to Ebix Health Exchange, which are included in pretax income from discontinued operations, of $349,000 and $1,111,000, respectively, for the three months and nine months ended September 30, 2021; and include $407,000 and $1,306,000, respectively, for the same periods in 2020.

Selling, general and administrative expense for the three months ended March 31, 2020 includes approximately $1,507,000 of expense related to the purchase of leads from an affiliated lead generation company, Torchlight, which was acquired in April of 2020. Lead costs subsequent to acquisition are eliminated in consolidation.

Note 9. Acquisition

Torchlight Technology Group LLC.

On April 15, 2020 (the "Torchlight Acquisition Date"), the Company acquired the remaining 77% membership units of Torchlight Technology Group LLC, ("Torchlight") for a purchase price of $11,443,000 in cash and other consideration valued at $185,000. In accordance with the purchase and sale agreement, the Company will also make future incentive payments to the former owners based on the future market appreciation of IHC. These payments will be accounted for as compensation for post-combination services. The Company purchased Torchlight for its marketing technology ("MarTech"), artificial data intelligence, and consumer lead generation capabilities. In an effort to further expand our InsureTech division (comprised of Torchlight, our call centers, field and career agents, and web domains), the Company wants to be able to internally develop and deliver lead traffic opportunities in an affordable and controlled environment. The Company accounted for its prior ownership interest using the equity method. Immediately preceding the transaction, the Company determined the fair value of its equity interest to be $3,432,000 using the income approach and, as a result, recorded a gain of $519,000, which is included in other income on the Condensed Consolidated Statement of Income.

Upon the acquisition, the Company consolidated the assets and liabilities of Torchlight. The following table presents the identifiable assets acquired and liabilities assumed in the acquisition of Torchlight on the Torchlight Acquisition Date based on their respective fair values (in thousands):

Cash	$	333
Intangible assets		2,700
Other assets		2,132
Total identifiable assets		5,165
Other liabilities		1,227
Total liabilities		1,227
Net identifiable assets acquired	$	3,938

In connection with the acquisition, the Company recorded $11,122,000 of goodwill, of which $7,976,000 is deductible for income tax purposes, and $2,700,000 of intangible assets. In 2021, this goodwill was allocated among the Pets Sale and MNL Sale disposal groups and is included in assets attributable to discontinued operations on the Condensed Consolidated Balance Sheets.

Goodwill for Torchlight represented the synergies with our agencies. With a significant dependence on consumer and small business opportunities, our agencies require a consistent and predictable flow of lead traffic, and as a result, have meaningful synergies with the functions and deliverables that are developed at Torchlight. Before the acquisition of Torchlight, our agency was fully dependent on market traffic, which was both unpredictable in price and availability. Such restrictions would not allow for coordinated or scheduled growth. Goodwill was calculated as the sum of (i) the acquisition date fair value of total aggregate consideration transferred of $11,628,000; and (ii) the aggregate acquisition-date fair value of equity interests immediately before the acquisition of $3,432,000; over (iii) the net identifiable assets of $3,938,000 that were acquired. The enterprise value of Torchlight was determined by an independent appraisal using a discounted cash flow model. Acquisition-related costs, primarily legal and consulting fees, were not material and are included in selling, general and administrative expenses in the Condensed Consolidated Statement of Income.

Revenue and net loss from Torchlight for the period from the Torchlight Acquisition Date to September 30, 2020 is $3,920,000 and $(1,815,000), respectively. The net loss is primarily related to the integration of Torchlight with the Company's other operations.

Pro forma adjustments to present the Company's consolidated revenues and net income as if the acquisition date was January 1, 2019 are not material and accordingly are omitted.

Note 10. Intangible Assets

The Company has net intangible assets of $3,012,000 and $3,531,000 at September 30, 2021 and December 31, 2020, respectively, which are included in other assets in the Condensed Consolidated Balance Sheets. These intangible assets consist of finite-lived intangible assets, principally the fair value of acquired agent and broker relationships, which are subject to amortization.

The gross carrying amounts of these intangible assets are as follows for the periods indicated (in thousands):

	September 30, 2021		December 31, 2020	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived Intangible Assets:				
Agent and broker relationships	$ 6,583	$ 4,707	$ 7,583	$ 5,385
Software systems	1,500	364	1,500	167
Total finite-lived	$ 8,083	$ 5,071	$ 9,083	$ 5,552

Amortization expense was $178,000 and $519,000 for the three months and nine months ended September 30, 2021, respectively; and was $162,000 and $386,000 for the three months and nine months ended September 30, 2020, respectively.

Note 11. Fee Income

All of the fee income recorded by the IHC Agencies and its lead generation company relate to our Specialty Health segment. The following table presents fee income disaggregated by type for the periods indicated (in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Commissions	$ 1,372	$ 1,684	$ 5,662	$ 5,346
Commissions from affiliates	1,820	2,410	5,572	7,602
Administrative Fees	-	-	-	875
Marketing Fees	198	290	757	933
Enrollment Platform Fees	454	502	1,539	1,476
Lead and Referral Fees	1,681	1,111	6,627	1,964
Application and Other Fees	44	116	134	269
Total Fee Income	$ 5,569	$ 6,113	$ 20,291	$ 18,465

Commissions

Commission revenues result from the sales of certain policies by the IHC Agencies on behalf of multiple unaffiliated insurance carriers. Increased sales of products to these unaffiliated insurance carriers began in 2020 as a result of new contracts with the carriers and increased distribution channels. These policies primarily consist of senior products, such as Medicare Advantage, Medicare Part D prescription drug plans and Medicare Supplement plans, as well as Affordable Care Act (“ACA”) plans. A significant portion of our commission revenues are recorded at a point in time upon the issuance of a policy by the unaffiliated insurance carrier based on expected constrained lifetime value (“LTV”). Constrained LTV represents expected commissions to be received over the lifetime of the policies sold. The Company analyzes various factors, such as commission rates, carrier mix, contract amendments and terminations, estimated average plan durations, cancellations and non-renewals, to estimate the LTV. Constraints are applied to help ensure that the total estimated lifetime commissions expected to be collected are recognized as revenue only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

We evaluate the appropriateness of our constraints on a quarterly basis and update the LTV assumptions if we observe evidence that suggests a change in the underlying long-term expectations. In doing this, we apply significant judgement in assessing historical cash collections and changes in circumstances that would impact future cash collections such as, but not limited to, commission rates, carrier mix, plan durations, plan cancellations and non-renewals. Changes in LTV result in an increase or decrease to fee income revenue and a corresponding increase or decrease to contract assets. Any significant impact due to changes in the LTV assumptions are recognized in revenue (i) in the period of the change; and (ii) to the extent we do not believe a significant reversal is probable.

Commissions from Affiliates

Commissions from affiliates represent commission revenues from the sales of certain insurance policies by the IHC Agencies on behalf of the Company's wholly owned insurance carriers. These amounts were previously eliminated in consolidation. In 2021, the Company committed to various plans to sell these insurance carriers (see Note 2) and as a result, the insurance carrier operations are now presented as discontinued operations in the accompanying financial statements. In the Condensed Consolidated Statements of Income, commission revenues from affiliates are included in fee income as presented in continuing operations; and the carriers' corresponding commission expense is included in pretax income from discontinued operations.

Costs to Fulfill a Contract

Costs to fulfill a contract include commissions owed to independent licensed agents or affinity partners that are contracted by the IHC Agencies. Upon the submission of a completed insurance application, the sales and marketing performance obligation is complete and the resultant estimated lifetime commission costs incurred are expensed and a corresponding commission liability is recorded on the Condensed Consolidated Balance Sheet. As policyholders continue their policy and remit monthly premium payments, the Company receives its commissions from the insurance carrier. Commissions owed to the agent or affinity partner are then paid and the corresponding liability is reduced. Judgement is required to estimate total expected lifetime commissions based on policy duration assumptions. At September 30, 2021 and December 31, 2020, the aforementioned commission liability was $2,750,000 and $2,362,000, respectively, and is included in accounts payable, accruals and other liabilities on the Condensed Consolidated Balance Sheet.

Contract Asset

Contract assets primarily relate to our commission revenues for the sales of senior products, such as Medicare Advantage and Medicare Supplement plans and ACA plans, which began in 2020. When commission revenue for the sales of these products is recognized, a corresponding contract asset is recorded in other assets on the Condensed Consolidated Balance Sheet. The timing of revenue differs from the collection of commissions. As policyholders continue their policy and remit monthly premium payments, the Company receives its commissions from the insurance carrier and the contract asset is reduced.

The following table summarizes the contract asset activity for the period indicated (in thousands).

		Nine Months Ended September 30, 2021
Beginning Balance	$	7,760
Commissions recognized during the period		6,950
Commission adjustments related to prior periods		(1,295)
Cash receipts		(5,291)
Ending Balance	$	8,124

Remaining Performance Obligations

Deferred revenues are recorded in connection with the right to use our INSX enrollment platform. At September 30, 2021 and December 31, 2020, deferred revenues are immaterial and expected to be fully recognized within the next 12 months.

Note 12. Income Taxes

The provisions for income taxes shown in the Condensed Consolidated Statements of Income were computed by applying the effective tax rate expected to be applicable for the reporting periods. Differences between the Federal statutory income tax rate and the Company's effective income tax rate are principally from the dividends received deduction and tax-exempt interest income, state and local income taxes, and compensation related tax provisions.

On December 31, 2020, AMIC had Federal net operating loss carryforwards of approximately $46,116,000 and a corresponding valuation allowance of $8,281,000 related to those net operating loss carryforwards that, in the judgment of management, were not considered realizable. On June 30, 2021, the Company sold PetPartners and recorded a pretax gain of $74,008,000 (See Note 2). As a result, AMIC decreased its valuation allowance by $8,281,000 and utilized the $46,116,000 of its outstanding Federal net operating loss carryforwards. Total income tax expense related to the pretax gain on disposal of discontinued operations was $11,675,000. The primary differences between the Federal statutory income tax rate and the Company's effective income tax rate related to the gain on disposal of discontinued operations are the result of AMIC's decrease in its valuation allowance, partially offset by the non-deductibility of goodwill and other expenses related to the disposal.

The effective income tax rates related to losses from continuing operations in 2021 were impacted by tax benefits from exercises of share-based compensation and state and local income tax benefits on certain subsidiaries. In 2020, the effective income tax rates related to losses from continuing operations reflect a benefit from capital losses attributable to the sale of a subsidiary and state and local income tax benefits on certain subsidiaries.

On March 27, 2020, as part of the business stimulus package in response to the COVID-19 pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The CARES Act established new tax provisions including, but not limited to: (1) five-year carryback of net operating losses ("NOLs") generated in 2018, 2019 and 2020; (2) accelerated refund of alternative minimum tax (AMT) credit carryforwards; and (3) retroactive changes to allow accelerated depreciation for certain depreciable property. At this time, the legislation does not have a material impact on the Company due to the lack of taxable losses in the stated carryback eligible tax years and the fact that the Company was already expecting to receive a cash benefit for the remaining AMT credits in the fiscal 2018 tax year return.

The New York State Department of Taxation and Finance has selected the Company's 2015 and 2016 NYS returns for audit.

Note 13. Stockholders' Equity

Accumulated Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Beginning balance	$ 3,220	$ 2,854	$ 4,197	$ 1,212
Other comprehensive income (loss):				
Other comprehensive income (loss) before reclassifications	(999)	873	(2,012)	3,417
Amounts reclassified from accumulated OCI	99	191	135	(711)
Net other comprehensive income (loss)	(900)	1,064	(1,877)	2,706
Ending balance	$ 2,320	$ 3,918	$ 2,320	$ 3,918

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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Unrealized gains (losses) on available-for-sale securities reclassified during the period to the following income statement line items:				
Net investment gains (losses)	$ (48)	$ (53)	$ 106	$ 105
Income (loss) from continuing operations before income taxes	(48)	(53)	106	105
Income tax expense (benefit)	(11)	(10)	20	23
Income (loss) from continuing operations, net of tax	(37)	(43)	86	82
Total pretax income (loss) from discontinued operations	(79)	(188)	(280)	796
Income tax expense (benefit) on discontinued operations	(17)	(40)	(59)	167
Income from discontinued operations, net of tax	(62)	(148)	(221)	629
Net income (loss)	$ (99)	$ (191)	$ (135)	$ 711

Note 14. Supplemental Disclosures of Cash Flow Information

Net cash payments for income taxes were $10,131,000 and $436,000 during the nine months ended September 30, 2021 and 2020, respectively.

Note 15. Contingencies

Third Party Administrator

A third party administrator with whom we formerly did business ("Plaintiff" or "TPA") commenced an action on May 17, 2017 in the United States District Court, Northern District of Texas, Dallas Division (the "Texas Action"), naming IHC, Madison National Life, Standard Security Life, and Independence Brokerage Group, Inc. (formerly IHC Carrier Solutions, Inc.) as defendants ("Defendants"). The Plaintiff seeks contractual payments allegedly owed by the Defendants totaling at least $3,082,000 through 2014, plus additional amounts for 2015 and 2016, and exemplary and punitive damages as allowed by law and fees and costs. The court had previously stayed the proceedings during the pendency of two arbitrations. The first arbitration resulted in a judicially-confirmed award in favor of Standard Security Life and Madison National Life in the amount of $5,641,000, which the Plaintiff has satisfied. The Company received payment on September 9, 2020. The resultant income is included in income from discontinued operations in the Condensed Consolidated Statements of Income for the three months and nine months ended September 30, 2020. The second arbitration resulted in no monetary obligations owed by any of the parties. The Plaintiff has filed a motion for leave to file a Second Amended Complaint. The Defendants filed a Motion to Dismiss Plaintiff's Second Amended Complaint. This motion is fully briefed and we are awaiting the Court's decision.

Multistate Market Conduct Examination ("MCE")

As previously disclosed, our subsidiaries Standard Security Life, Madison National Life and Independence American Insurance Company were selected for MCE related to our short-term medical ("STM"), limited medical and fixed indemnity limited health insurance products for the period of January 1, 2014 through September 30, 2017. The insurance departments of five jurisdictions (Delaware, Wisconsin, District of Columbia, Kansas and South Dakota) served as lead states, and the District of Columbia Department of Insurance, Securities and Banking and the Delaware Department of Insurance served as the managing lead states of the MCE. In addition to the five lead states, 37 other states participated in the MCE. Each of Standard Security Life, Madison National Life and Independence American Insurance Company responded to inquiries and document production requests in the MCE and proactively communicated and cooperated with the applicable regulatory agencies for the MCE. Each of these subsidiaries also provided a detailed action plan to regulators that summarized its enhanced compliance and control mechanisms.

In an effort to avoid long-term litigation and/or administrative proceedings that would be required to resolve disputes between Standard Security Life, Madison National Life and Independence American Insurance Company and the states involved in the MCE, the Lead States and Standard Security Life, Madison National Life and Independence American Insurance Company entered into separate RSAs on July 14, 2020. The RSAs require the implementation of a compliance plan, impose certain requirements related to specified business practices and monetary payments. The thirty-seven participating states adopted the RSAs. The Company accrued $3,660,000 in accounts payable, accruals and other liabilities on the Consolidated Balance Sheet in the second quarter of 2020 and processed payment in October 2020. The corresponding expense is included in income from discontinued operations in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2020. As set forth in the RSAs, Standard Security Life, Madison National Life and Independence American Insurance Company deny any wrongdoing or violation of any applicable laws or regulations, and the entry into the RSAs is not an admission or acknowledgment of any wrongdoing or liability. In accordance with the RSAs, the Monitoring Period commenced and Standard Security Life, Madison National Life and Independence American Insurance Company continue to comply.

Note 16. Segment Reporting

The Insurance Group principally engages in the life and health insurance business. As a result of the pending sales discussed in Note 2, the operations of the Insurance Group, and certain other pet assets, are presented in discontinued operations. Continuing operations consist primarily of the IHC Agencies which are in the Specialty Health segment. Taxes and general expenses associated with parent company activities are included in Corporate. Identifiable assets by segment are those assets that are utilized in each segment and are allocated based upon the mean reserves and liabilities of each such segment. Corporate assets are composed principally of cash equivalents, resale agreements, fixed maturities, partnership interests and certain other investments. Management will re-assess the Company's reportable segments based on its new organizational structure after the pending sale transactions discussed in Note 2 are consummated.

Information by business segment is presented below for the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Revenues:				
Specialty Health	$ 5,520	$ 6,749	$ 20,204	$ 19,188
Group disability and life	-	-	-	-
Individual life, annuities and other	-	-	-	-
Corporate	1,041	149	2,177	1,932
	6,561	6,898	22,381	21,120
Net investment gains (losses)	(48)	(53)	105	122
Total revenues	$ 6,513	$ 6,845	$ 22,486	$ 21,242
Income before income taxes				
Specialty Health [(A)]	$ (7,022)	$ (6,969)	$ (17,921)	$ (16,579)
Group disability and life	-	-	-	-
Individual life, annuities and other	-	-	-	-
Corporate [(B)]	(8,009)	(2,564)	(12,726)	(5,522)
	(15,031)	(9,533)	(30,647)	(22,101)
Net investment gains (losses)	(48)	(53)	105	122
Loss from continuing operations before income taxes	$ (15,079)	$ (9,586)	$ (30,542)	$ (21,979)

(A) In both 2021 and 2020, we incurred significant costs associated with hiring, training and licensing a significant number of new agents, as well as costs for system development in our marketing and administrative companies.

(B) The three months and nine months ended September 30, 2021 include legal and investment bank fees recorded in connection with the Going Private Transaction (see Note 1) and the obligations of the Special Committee of independent directors to consider the proposal, and to review, evaluate, negotiate and approve or disapprove the proposal and alternatives.

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, 2020, 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, is a holding company principally engaged in underwriting, administering and/or distributing group and individual specialty benefit products, including disability, supplemental health, pet, and group life insurance through: (i) its insurance companies, Standard Security Life, Madison National Life, and Independence American Insurance Company; and (ii) its marketing and administrative companies consisting of IHCSB, IBG, INSXCloud (collectively the "IHC Agencies") and its lead generation company, Torchlight. On June 30, 2021, the Company sold its majority interest in PetPartners, a major distributor and administrator of pet insurance underwritten by Independence American Insurance Company and an unaffiliated insurer. Standard Security Life, Madison National Life and Independence American Insurance Company 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".

During the second and third quarters of 2021, the Board of Directors committed to the following plans for the disposal of several business operations. Each disposal plan below represents a strategic shift that will have a major effect on the Company's operations and financial results and as such, they each qualify for reporting as discontinued operations.

(A) On April 14, 2021, IHC and its wholly owned subsidiary ICC entered into a purchase agreement with Reliance Standard ("SSL Purchase Agreement") to sell all of the issued and outstanding capital stock of Standard Security Life, a wholly owned subsidiary of ICC, for an aggregate purchase price of $180 million in cash. On July 29, 2021, the SSL Purchase Agreement was amended and restated (the "SSL Amended Purchase Agreement"). In accordance with the SSL Amended Purchase Agreement, the Company will receive the excess of aggregate statutory capital and surplus, calculated as of the closing date, over $57 million. The closing of the transaction, the closing distribution and certain other items are subject to customary closing conditions including applicable regulatory approvals, one of which is the approval of the NYSDFS. Under the terms of the SSL Amended Purchase Agreement, the transaction includes all of Standard Security Life's DBL and PFL business in addition to all its other lines of business. The aforementioned transaction, consisting of the sale of Standard Security Life, the closing distribution and other closing conditions, is collectively referred to as the "SSL Sale" transaction or disposal group.

(B) On May 17, 2021, IHC and its wholly owned subsidiary SBH entered into a stock purchase agreement with a subsidiary of Iguana Capital to sell its 85% interest in PetPartners, a major distributor and administrator of pet insurance underwritten by Independence American Insurance Company and an unaffiliated insurer. In addition, IHC and its wholly owned subsidiary, AMIC, entered into a stock purchase agreement with Iguana Capital to sell all of the issued and outstanding capital stock of IAHC ("IAHC Purchase Agreement"), which owns all of the issued and outstanding common stock of Independence American Insurance Company and other pet assets including the Company's equity investments in FIGO Pet Insurance, LLC and Pet Assistant Holdings, LLC. Under the terms of the IAHC Purchase Agreement, the transaction includes all of Independence American Insurance Company's pet business and excludes all other lines of business which will be reinsured by Madison National Life prior to the closing. The impact of these two agreements, taken in the aggregate, represents the sale of 70% of the Company's pet business. The Company will retain a 30% interest in the business sold in the form of an equity investment in the buyer, Iguana Capital. On June 30, 2021, the sale of PetPartners closed and in exchange for its shares of PetPartners, the Company received $78.3 million in cash, retained a 30% equity investment valued at $33.8 million and recorded a $74.0 million pretax gain on sale of discontinued operations, net of transaction costs. The cash is held in escrow until such time as the IAHC sale transaction closes. In connection with the pending sale of IAHC, the Company will receive approximately $190.4 million in cash and retain a 30% equity interest in the business sold valued at approximately $81.6 million. The closing of the transactions contemplated by the IAHC Purchase Agreement is subject to customary closing conditions, including applicable regulatory approvals, one of which is the approval of the Delaware Insurance Department. The aforementioned transaction, consisting of the sale of PetPartners, IAHC and Independence American Insurance Company, the reinsurance of excluded business, and other closing conditions, is collectively referred to as the "Pets Sale" transaction or disposal group.

(C) On July 14, 2021, IHC and its wholly owned subsidiary ICC entered into a stock purchase agreement with Horace Mann Educators Corporation to sell all of the issued and outstanding capital stock of Madison National Life, which is wholly owned by ICC, for an aggregate purchase price of $172.5 million in cash; in addition, if Madison National Life reaches specified financial targets in 2023, IHC will receive an additional purchase price of up to $12.5 million. In accordance with the stock purchase agreement and prior to closing, Madison National Life will enter into a reinsurance agreement with Independence American Insurance Company to reinsure all of Independence American Insurance Company's non-pet business, primarily specialty health products, that are excluded from the Pets Sale transaction discussed above. The transaction has been approved by the Board of Directors of IHC, and IHC's majority stockholders have entered into a voting agreement under which such majority shareholders agreed to approve the transaction. IHC's majority stockholders approved the transaction by written consent on October 18, 2021. The closing is expected no earlier than January 1, 2022; and the transaction is subject to customary closing conditions, including applicable regulatory approvals, one of which is the approval by the Wisconsin Office of the Commissioner of Insurance. The aforementioned transaction, which includes the reinsured specialty health business of Independence American Insurance Company, is referred to as the "MNL Sale" transaction or disposal group.

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

Results of operations are summarized as follows for the periods indicated (in thousands):

	For the Three Months Ended September 30, 2021	For the Three Months Ended September 30, 2020	For the Nine Months Ended September 30, 2021	For the Nine Months Ended September 30, 2020
Revenues	$ 6,513	$ 6,845	$ 22,486	$ 21,242
Expenses	21,592	16,431	53,028	43,221
Loss from continuing operations before income taxes	(15,079)	(9,586)	(30,542)	(21,979)
Income tax benefit	(3,567)	(2,241)	(7,026)	(5,617)
Loss from continuing operations	(11,512)	(7,345)	(23,516)	(16,362)
Income from discontinued operations	28,871	16,077	122,809	29,954
Net income	17,359	8,732	99,293	13,592
(Income) loss from noncontrolling interests	-	(44)	158	(205)
Net income attributable to IHC	$ 17,359	$ 8,688	$ 99,451	$ 13,387

- Loss from continuing operations of $.79 per share, diluted, for the three months ended September 30, 2021 compared to $.50 per share, diluted, for the same period in 2020. Loss from continuing operations of $1.61 per share, diluted, for the nine months ended September 30, 2021 compared to $1.11 per share, diluted, for the same period in 2020.

- Consolidated investment yields (on an annualized basis) of 0.8% for both the three and nine months ended September 30, 2021, respectively, compared to 0.9% and 1.5% for the three month and nine month periods, respectively, in 2020;

- Book value of $38.47 per common share at September 30, 2021 compared to $32.08 at December 31, 2020.

- Income from discontinued operations for the three months and nine months ended September 30, 2021 includes an after tax gain (loss) of $(.5) and $62.2 million on the sale of PetPartners. Excluding this gain (loss), income from discontinued operations for the three months and nine months ended September 30, 2021 were $29.4 million and $60.6 million, respectively, compared with income of $16.1 million and $30.0 million in the comparable 2020 periods, respectively.

- Results for the first nine months of 2021 were negatively impacted by COVID-19. Sales at our agency were lower than expected in the first half of 2021, impacted by lower short-term medical ("STM") sales, as consumers, especially those over the age of 50 who often purchased STM coverage took advantage of Special Enrollment Periods for ACA coverage and the increased Advanced Premium Tax Credits, also known as subsidies, as well as employers continuing to offer employer sponsored coverage to furloughed workers. The agency is seeing an increase in fee and commission income from the sale of ACA plans. Certain lines of business that are sold with ACA coverage, such as dental and accident plans exceeded expectations but due to lower commission on these products did not fully offset the commission lost through lower STM sales. We are shifting our call center focus to the ACA market for this period.

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

As a result of the pending sales discussed above and in Note 2 to the Condensed Consolidated Financial Statements, the operations of the Insurance Group, and certain other pet assets, are presented in discontinued operations. Continuing operations consist primarily of the IHC Agencies which are in the Specialty Health segment. Taxes and general expenses associated with parent company activities are included in Corporate. Management will re-assess the Company's reportable segments based on its new organizational structure after the pending sale transactions discussed in Note 2 are consummated.

- The Specialty Health segment reported $7.0 million of losses before taxes for both the three months ended September 30, 2021 and 2020; and reported $17.9 million in losses before taxes for the nine-month period ended September 30, 2021 compared to $16.6 million of losses for the same period in 2020.

- The Corporate segment reported losses before taxes of $8.0 million and $2.6 million for the three months ended September 30, 2021 and 2020, respectively; and reported losses of $12.7 million for the nine-month period ended September 30, 2021 compared to losses of $5.5 million for the same period in 2020, primarily due to legal and investment bank fees recorded in connection with the Going Private Transaction (see Note 1) and the formation of the Special Committee of independent directors to consider the proposal, and to review, evaluate, negotiate and approve or disapprove the proposal and alternatives.

COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19, a global health pandemic, and the United States declared a national health emergency. COVID-19 has led to large scale disruption in the global economy, market instability and widespread unemployment in the United States.

The COVID-19 outbreak continues to be a fluid situation. The business continuity and emergency response plans we implemented during 2020 continue to ensure we provide a high level of service to our customers and support our everyday business needs. To help protect the safety and wellbeing of our employees and mitigate the spread of COVID-19, we have limited travel and directed our employees to work remotely whenever possible. As the COVID-19 outbreak continues to evolve, the duration of COVID-19 and its potential effects on our business cannot be certain. Regulatory mandates have affected, and we anticipate will continue to impact, the insurance industry. We currently cannot predict if there will be a material impact to our business, results of operations or financial condition in future reporting periods. For more information, see the risk factor under the heading "We continue to face risks related to the ongoing Coronavirus (COVID-19) pandemic that could impact our sales, operating results and financial condition" in Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform to U.S. 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, 2020. Management has identified the accounting policies related to *Insurance Premium Revenue Recognition and Policy Charges, Fee Income Revenue Recognition, Insurance Liabilities, 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, 2020. During the nine months ended September 30, 2021, there were no additions to or changes in the critical accounting policies disclosed in the 2020 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 September 30, 2021 Compared to the Three Months Ended September 30, 2020

Information by business segment for the periods indicated is as follows:

September 30, 2021 (In thousands)	Net Investment Income	Fee Income	Other Income	Selling, General and Administrative	Total
Specialty Health	$ (13)	$ 5,569	$ (36)	$ 12,542	$ (7,022)
Corporate	132	-	909	9,050	(8,009)
Sub total	$ 119	$ 5,569	$ 873	$ 21,592	(15,031)
Net investment losses					(48)
Loss from continuing operations before income taxes					(15,079)
Income tax benefit					(3,567)
Loss from continuing operations, net of tax					$ (11,512)

September 30, 2020 (In thousands)	Net Investment Income	Fee Income	Other Income	Selling, General and Administrative	Total
Specialty Health	$ (20)	$ 6,113	$ 656	$ 13,718	$ (6,969)
Corporate	190	-	(41)	2,713	(2,564)
Sub total	$ 170	$ 6,113	$ 615	$ 16,431	(9,533)
Net investment losses					(53)
Loss from continuing operations before income taxes					(9,586)
Income tax benefit					(2,241)
Loss from continuing operations, net of tax					$ (7,345)

Net Investment Income

The overall annualized investment yields were 0.8% and 0.9% in the third quarter of 2021 and 2020, respectively.

Net Investment Gains

Net investment gains include the gains and losses from sales of fixed maturities available-for-sale, equity securities and other investments. Decisions to sell securities are based on management's ongoing evaluation of investment opportunities and economic and market conditions, thus creating fluctuations in gains and losses from period to period.

Fee Income

Fee income decreased $.5 million for the three-month period ended September 30, 2021 compared to the three-month period ended September 30, 2020. The decrease is primarily due to lower STM sales in 2021 and decreases in commission accruals principally on Medicare advantage products, partially offset by an increase in lead generation fees.

Other Income

Other income in the 2021 primarily relates to equity losses on equity method investments offset by income from the sale of an investment asset; and, in 2020, other income includes the gain on the sale of a wholly owned agency that administered occupational accident plans.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses increased $5.2 million over the comparable period in 2020. The increase is primarily due to $6.4 million increase in the Corporate segment, primarily legal and investment bank fees recorded in in connection with the formation of a Special Committee of independent directors to consider the proposed Going Private Transaction.

Income Taxes

The effective tax rate for the three months ended September 30, 2021 is (23.7)% compared to (23.4)% for the three months ended September 30, 2020. The effective income tax rate in 2021 relates to losses from continuing operations and are impacted by tax benefits from exercises of share-based compensation and state and local income tax benefits on certain subsidiaries. In 2020, the effective income tax rate relates to losses from continuing operations and includes state and local income tax benefits on certain subsidiaries.

Results of Operations for the Nine Months Ended September 30, 2021 Compared to the Nine Months Ended September 30, 2020

Information by business segment for the periods indicated is as follows:

September 30, 2021 (In thousands)	Net Investment Income	Fee Income	Other Income	Selling, General and Administrative	Total
Specialty Health	$ (51)	$ 20,291	$ (36)	$ 38,125	$ (17,921)
Corporate	481	-	1,696	14,903	(12,726)
Sub total	$ 430	$ 20,291	$ 1,660	$ 53,028	(30,647)
Net investment gains					105
Loss from continuing operations before income taxes					(30,542)
Income tax benefit					(7,026)
Loss from continuing operations, net of tax					$ (23,516)

September 30, 2020 (In thousands)	Net Investment Income	Fee Income	Other Income	Selling, General and Administrative	Total
Specialty Health	$ (64)	$ 18,465	$ 787	$ 35,767	$ (16,579)
Corporate	980	-	952	7,454	(5,522)
Sub total	$ 916	$ 18,465	$ 1,739	$ 43,221	(22,101)
Net investment gains					122
Loss from continuing operations before income taxes					(21,979)
Income tax benefit					(5,617)
Loss from continuing operations, net of tax					$ (16,362)

Net Investment Income

The overall annualized investment yields were 0.8% and 1.5% in the first nine months of 2021 and 2020, respectively.

Net Investment Gains

Net investment gains include the gains and losses from sales of fixed maturities available-for-sale, equity securities and other investments. Decisions to sell securities are based on management's ongoing evaluation of investment opportunities and economic and market conditions, thus creating fluctuations in gains and losses from period to period.

Fee Income

Fee income increased $1.8 million for the nine-month period ended September 30, 2021 compared to the nine-month period ended September 30, 2020. The increase is primarily due to an increase in lead generation fees, partially offset by a decrease in administrative fee income as a result of the sale, in June 2020, of a wholly owned agency that administered occupational accident plans, lower STM and fixed indemnity limited benefit plan sales, and a decrease in commission accruals principally on Medicare advantage products.

Other Income

Other income in the 2021 primarily relates to income from the sale of an investment asset partially offset by equity losses from equity method investments; and, in 2020, other income includes a gain recorded in connection with the step-acquisition of Torchlight and a gain on the sale of a wholly owned agency that administered occupational accident plans.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses increased $9.8 million over the comparable period in 2020. The increase is primarily due to: (i) $7.4 million increase in the Corporate segment, primarily legal and investment bank fees recorded in connection with the formation of a Special Committee of independent directors to consider the proposed Going Private Transaction; and (ii) and increase of $2.3 million in the Specialty Health segment due to increased lead generation expenses, compensation and system development related expenses in our marketing and administrative companies.

Income Taxes

The effective tax rate for the nine months ended September 30, 2021 is (23.0)% compared to (25.6)% for the nine months ended September 30, 2020. The effective income tax rate for 2021 relates to losses from continuing operations and are impacted by tax benefits from exercises of share-based compensation and state and local income tax benefits on certain subsidiaries. In 2020, the effective income tax rate relates to losses from continuing operations plus a benefit from capital losses attributable to the sale of a subsidiary.

LIQUIDITY

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 nine months ended September 30, 2021.The Insurance Group declared and paid dividends of $0 and $5.2 million during the nine months ended September 30, 2021 and 2020, respectively.

It is anticipated that cash flows to be received upon the close of the disposal transactions will provide sources of corporate liquidity to offset the loss of cash flows previously derived from the insurance operations currently held in discontinued operations. The Company is evaluating the best use of liquidity derived from the disposal transactions.

The proceeds received from the sale of PetPartners were deposited into an escrow account owned by SBH and treated as a security deposit. The funds will be released from escrow upon either the consummation of the IAHC purchase or upon the exercise of the PPI Put/Call Option. At September 30, 2021, the security deposit is presented as funds held in escrow on the Condensed Consolidated Balance Sheet.

Cash Flows

The Company had $18.5 million and $74.8 million of cash, cash equivalents and restricted cash from continuing and discontinued operations as of September 30, 2021 and December 31, 2020, respectively.

For the nine months ended September 30, 2021, operating activities provided $41.7 million of cash and investment activities utilized $90.4 million of cash, primarily the result of the investment of cash and cash equivalents in resale agreements. Financing activities utilized $7.5 million of cash, of which $6.4 million was utilized to pay common stock dividends. For the nine months ended September 30, 2021, cash flows from the operating and investing activities of discontinued operations were $54.7 million and $(100.3) million, respectively.

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.

There were no material negative impacts on the Company's cash flows or liquidity with regards to COVID-19 during the first nine months of 2021.

BALANCE SHEET

In connection with the sale of PetPartners in June 2021, the Company received proceeds of $78.3 million which was deposited into an escrow account and a 30% interest in Iguana Capital Corp valued at $33.8 million.

The $94.8 million increase in IHC's stockholders' equity in the first nine months of 2021 is primarily due to $99.5 million of net income attributable to IHC, which includes a $62.2 million after tax gain on the sale of PetPartners; reduced by $3.2 million of common stock dividends.

Asset Quality and Investment Impairments

The Company has gross unrealized gains of $0.3 million and gross unrealized losses of $0.1 million on its fixed maturities available-for-sale securities at September 30, 2021. All of the Company's fixed maturities were investment grade and continue to be rated on average AA. The Company marks all of its fixed maturities available-for-sale 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. The Company did not have any non-performing fixed maturities at September 30, 2021.

The Company reviews its investments regularly and monitors its investments continually for impairments. The Company did not record any other-than-temporary impairment losses in the nine months ended September 30, 2021 or 2020 and does not have any securities with fair values less than 80% of their amortized cost at September 30, 2021.

The unrealized losses on fixed maturities available-for-sale were evaluated in accordance with the Company's impairment policy and were determined to be temporary in nature at September 30, 2021. 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, imbalances in liquidity that exist in the marketplace, a worsening of the current economic recession, or 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 which may cause the Company to 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 with its current activities. It is anticipated that any future acquisitions or other expansion of operations at the remaining entities of IHC will be funded internally from anticipated cash flows to be received upon the close of the disposal transactions. 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.

OUTLOOK

For the remainder of 2021, and continuing in 2022, the Company anticipates that it will:

- Close on the sale of all of the issued and outstanding capital stock of Standard Security Life to Reliance Standard pursuant to the SSL Purchase Agreement signed on April 14, 2021 and amended on July 29, 2021. Reliance Standard believes that this transaction, which is subject to various regulatory approvals, will close by the end of this year. Under the terms of the SSL Amended Purchase Agreement, Standard Security Life will receive the excess of statutory capital and surplus, calculated as of the closing date, over $57 million so earnings prior to closing will be retained by IHC.

- Close on the sale of all of the issued and outstanding capital stock of IAHC to Iguana Capital pursuant to the IAHC Purchase Agreement signed on May 17, 2021. We believe this transaction, which is subject to various regulatory approvals, will close by the end of this year.

- Close on the sale of the stock of Madison National Life to Horace Mann Educators Corporation pursuant to the MNL Purchase Agreement signed on July 14, 2021. This transaction, subject to various regulatory approvals, is expected to close no earlier than January 1, 2022.

- Focus on the transition and consummation of all transactions entered into in 2021. The consummation of these transactions shall be the entire focus of the Company for the remainder of 2021. After all the transactions are consummated, the Company will have the IHC Agency operations, hold a substantial amount of cash and investments, net of liabilities, and an equity interest in Iguana Capital. As a result of additional investments being made by Iguana Capital, and the approval by IHC's Board of Directors to contribute an additional $3.2 million to Iguana Capital in the fourth quarter 2021, the Company expects that is equity interest in Iguana Capital will be diluted to approximately 18% by December 31, 2021.

- Improve the profitability and better integrate all of our agencies. IHC has experienced many changes in its agency model in 2021 as a result of a changing market and due to the decision to sell all three of IHC's carriers. Although we continue to record losses in our agency business, we expect that to improve in the future. IHC has re-evaluated and made significant changes to the direction of the Company. As we progress, our agency operations will be centered around INSXcloud.com (INSX), our CMS approved Web Broker. INSX provides an agent with the ability to quote, directly enroll and track applications on the Federally Facilitated Marketplace, plus much more. Specifically, brokers can quickly generate quotes, create PDF's of plan comparisons, enroll customers in plans, and invite customers to enroll themselves – all through an easy-to-use cloud-based web portal. IHC is expanding INSX to directly serve the consumer and partner market, as well as expanding product offerings on the platform.

- Continue to expand on our IHCSB agency. The balance of IHCSB includes our W-2 Call Centers and our captive independent Advisors unit, both of which sell into the under/over age 65 health insurance markets, as well as our Independence Brokerage Group (IBG) which recruits independent agents and agencies to sell via our platforms and contracts. We are refocusing a portion of our over 65 division into the under 65 market in order to take advantage of the positioning of INSX, IHCSB, our lead generation capabilities, and the market growth resulting from the American Rescue Plan Act.

- Continue to focus on administrative efficiencies and the transition of the three insurance carriers as we progress towards closing on all three sales in the next few quarters

- Continue to monitor the COVID-19 outbreak as it evolves. The duration of COVID-19 and its potential effects on our business cannot be certain, so we currently cannot predict if there will be a material impact to our business, results of operations or financial condition in 2021. During the COVID-19 pandemic, we have fully transitioned our existing sales teams to work from home. Our customer facing agents have transitioned to a full-time work at home model, and although we have implemented enhanced technology solutions, sales may be impacted as COVID-19 continues to develop.

Subject to making additional repurchases of IHC common stock, dividends to shareholders and various investments, the Company will maintain a highly liquid and high quality portfolio.

Our financial results in the future will depend on: (i) our ability to execute on our revised agency model and develop the agencies into a profitable operation; and (ii) any increase in the value of our minority interest in Iguana Capital where we participate on the board of directors.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and procedures

IHC's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") 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 CEO and CFO concluded that IHC's disclosure controls and procedures were effective.

Management, including the CEO and CFO, identified no change in our internal control over financial reporting that occurred during our fiscal quarter ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our 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.

Third Party Administrator

A third party administrator with whom we formerly did business ("Plaintiff" or "TPA") commenced an action on May 17, 2017 in the United States District Court, Northern District of Texas, Dallas Division (the "Texas Action"), naming IHC, Madison National Life, Standard Security Life, and Independence Brokerage Group, Inc. (formerly IHC Carrier Solutions, Inc.) as defendants ("Defendants"). The Plaintiff seeks contractual payments allegedly owed by the Defendants totaling at least $3,082,000 through 2014, plus additional amounts for 2015 and 2016, and exemplary and punitive damages as allowed by law and fees and costs. The court had previously stayed the proceedings during the pendency of two arbitrations. The first arbitration resulted in a judicially-confirmed award in favor of Standard Security Life and Madison National Life in the amount of $5,641,000, which the Plaintiff has satisfied. The Company received payment on September 9, 2020. The resultant income is included in income from discontinued operations in the Condensed Consolidated Statements of Income for the three months and nine months ended September 30, 2020. The second arbitration resulted in no monetary obligations owed by any of the parties. The Plaintiff has filed a motion for leave to file a Second Amended Complaint. The Defendants filed a Motion to Dismiss Plaintiff's Second Amended Complaint. This motion is fully briefed and we are awaiting the Court's decision.

Multistate Market Conduct Examination

As previously disclosed, our subsidiaries Standard Security Life, Madison National Life and Independence American Insurance Company were selected for MCE related to our STM, limited medical and fixed indemnity limited health insurance products for the period of January 1, 2014 through September 30, 2017. The insurance departments of five jurisdictions (Delaware, Wisconsin, District of Columbia, Kansas and South Dakota) served as lead states, and the District of Columbia Department of Insurance, Securities and Banking and the Delaware Department of Insurance served as the managing lead states of the MCE. In addition to the five lead states, 37 other states participated in the MCE. Each of Standard Security Life, Madison National Life and Independence American Insurance Company responded to inquiries and document production requests in the MCE and proactively communicated and cooperated with the applicable regulatory agencies for the MCE. Each of these subsidiaries also provided a detailed action plan to regulators that summarized its enhanced compliance and control mechanisms.

In an effort to avoid long-term litigation and/or administrative proceedings that would be required to resolve disputes between Standard Security Life, Madison National Life and Independence American Insurance Company and the states involved in the MCE, the Lead States and Standard Security Life, Madison National Life and Independence American Insurance Company entered into separate RSAs on July 14, 2020. The RSAs require the implementation of a compliance plan, impose certain requirements related to specified business practices and monetary payments. The thirty-seven participating states adopted the RSAs. The Company accrued $3,660,000 in accounts payable, accruals and other liabilities on the Consolidated Balance Sheet in the second quarter of 2020 and processed payment in October 2020. The corresponding expense is included in income from discontinued operations in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2020. As set forth in the RSAs, Standard Security Life, Madison National Life and Independence American Insurance Company deny any wrongdoing or violation of any applicable laws or regulations, and the entry into the RSAs is not an admission or acknowledgment of any wrongdoing or liability. In accordance with the RSAs, the Monitoring Period commenced and Standard Security Life, Madison National Life and Independence American Insurance Company continue to comply.

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, 2020 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 2016, the Board of Directors increased the number of shares that can be repurchased to 3,000,000 shares of IHC common stock. As of September 30, 2021, 1,526,393 shares were still authorized to be repurchased.

Share repurchases during the third quarter of 2021 are summarized as follows:

2021			
Month of Repurchase	**Shares Repurchased**	**Average Price of Repurchased Shares**	**Maximum Number of Shares Which Can be Repurchased**
July	-	$ -	1,535,393
August	9,000	$ 42.38	1,526,393
September	-	$ -	1,526,393

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit Number

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).

4.1 Description of the registrant's securities registered pursuant to Section 12 of the Securities and Exchange Act of 1934, as amended (Filed as Exhibit 4.1 to our Annual Report on Form 10-K for the year ended December 31, 2020 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 filed with the SEC on May 12, 2011, and incorporated herein by reference).

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

10.6 Purchase Agreement, made and entered into on June 15, 2015, by and among Madison National Life Insurance Company, Inc., Standard Security Life Insurance Company of New York and National Guardian Life Insurance Company (Filed as Exhibit 10.1 to our Current Report on Form 8-K filed with the SEC on June 16, 2015, and incorporated herein by reference).

10.7 Sale Bonus Agreement, dated November 7, 2016, by and between Independence American Holdings Corp. and David T. Kettig (Filed as Exhibit 10.8 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2016 and incorporated herein by reference).

10.8 Officer Employment Agreement, made as of May 25, 2011, by and among Independence Holding Company, Standard Security Life and Mr. Gary J. Balzofiore (Filed as Exhibit 10.9 to our Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference).

10.9 Officer Employment Agreement, made as of June 22, 2015, by and among Independence Holding Company, Standard Security Life and Mr. Vincent Furfaro, as amended by the Assignment and Assumption with Novation and Amendment of Officer Employment Agreement dated January 1, 2017 by and among Standard Security Life, AMIC Holdings, Inc. and Mr. Vincent Furfaro (Filed as Exhibit 10.9 to our Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference).

10.10 Amended and Restated Officer Employment Agreement, dated as of March 24, 2020, by and between AMIC Holdings, Inc. and Vincent Furfaro (filed as Exhibit 10.1 to our Current Report on Form 8-K/A filed with the SEC on April 9, 2020 and incorporated herein by reference).

10.11 Sale Bonus Agreement, dated July 25, 2018, by and between Independence American Holdings Corp. and Vincent Furfaro (Filed as Exhibit 10.10 to our Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference).

10.12 Assignment and Assumption with Novation and Amendment of Officer Employment Agreement dated January 1, 2017 by and among Standard Security Life, AMIC Holdings, Inc. and Mr. David T. Kettig (Filed as Exhibit 10.11 to our Annual Report on Form 10-K for the year ended December 31, 2018 and incorporated herein by reference).

10.13 Sale Bonus Agreement, dated October 15, 2019, by and between Independence American Holdings Corp. and Gary J. Balzofiore (Filed as Exhibit 10.12 to our Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference).

10.14 Stock Purchase Agreement, dated April 14, 2021, by and among Reliance Standard Life Insurance Company, Independence Capital Corp. and Independence Holding Company (Filed as Exhibit 10.14 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021 and incorporated herein by reference).

10.15 Stock Purchase Agreement, dated as of May 17, 2021, by and among Independence American Holdings Corp., IHC SB Holdings, LLC, Iguana PP Holdings, Inc., Iguana Capital, Inc. and JAB Holdings B.V. (Filed as Exhibit 10.15 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and incorporated herein by reference).

10.16 Stock Purchase Agreement, dated as of May 17, 2021, by and among Independence Holding Company, Madison Investors Corp., AMIC Holdings Inc., Iguana Acquisition LLC, and JAB Holdings B.V. (Filed as Exhibit 10.16 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and incorporated herein by reference).

10.17 Transaction Bonus Agreement, made and entered into effective as of June 30, 2021, by and among AMIC Holdings Inc., Independence Holding Company, Independence American Holdings Corp., and David T. Kettig (Filed as Exhibit 10.17 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and incorporated herein by reference).

10.18 Officer Employment Agreement, made as of May 20, 2011, by and between Independence Holding Company and Colleen P. Maggi (Filed as Exhibit 10.18 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and incorporated herein by reference).

10.19 First Amendment to the Stock Purchase Agreement, dated as of June 28, 2021, by and among Independence American Holdings Corp., IHC SB Holdings, LLC, Iguana PP Holdings, Inc., Iguana Capital, Inc., and JAB Holdings B.V. (Filed as Exhibit 10.19 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and incorporated herein by reference).

10.20 Stockholders Agreement, made and entered into as of June 30, 2021, by and among Iguana Capital, Inc., Iguana Holdings Ltd., Iguana Acquisition, LLC and IHC SB Holdings, LLC. (Filed as Exhibit 10.20 to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 and incorporated herein by reference).

10.21 Stock Purchase Agreement, dated as of July 14, 2021, by and among Independence Capital Corp., Independence Holding Company and Horace Mann Educators Corporation (Filed as Annex A to our Preliminary Information Statement on Schedule 14C filed on November 1, 2021 and incorporated herein by reference). **

10.22 Amended and Restated Stock Purchase Agreement, dated July 29, 2021, by and among Reliance Standard Life Insurance Company, Independence Capital Corp., and Independence Holding Company. *

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. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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. *
104	Cover page formatted as inline XBRL and contained in Exhibit 101.

* Filed herewith.

** Certain portions of this exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted portions upon request by the SEC; provided, however, that Company may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any portions so furnished.

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
Roy T.K. Thung
Chief Executive Officer, and Chairman
of the Board of Directors

Date: November 9, 2021

By: /s/Colleen P. Maggi
Colleen P. Maggi
Corporate Vice President and
Chief Financial Officer

Date: November 9, 2021