UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOE THE FISCAL YEAR ENDED DECEMBER 31, 2011
COMMISSION FILE NUMBER 001-05270

AMERICAN INDEPENDENCE CORP.
(Exact name of Registrant as specified in its charter)

DELAWARE	**11-1817252**
(State of Incorporation)	(I. R.S. Employer Identification No.)

485 Madison Avenue, New York, New York	**10022**
(Address of Principal Executive Offices)	(Zip Code)

(212) 355-4141
Registrant's telephone number, including area code:

NONE
Securities registered pursuant to Section 12(b) of the Act

COMMON STOCK, PAR VALUE $0.01 PER SHARE
Securities registered pursuant to Section 12(g) of the Act

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
[ ] Yes [X] No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
[ ] Yes [X] No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X] Smaller reporting company [ ]

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of June 30, 2011 was $17,717,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at March 15, 2012
Common Stock, $0.01 par value	8,272,332

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement to be delivered (or made available, pursuant to applicable regulations) to stockholders in connection with the 2012 annual meeting of stockholders to be held in June 2012 are incorporated by reference in response to Part III of this Report.

FORM 10-K CROSS REFERENCE INDEX

FORWARD-LOOKING STATEMENTS

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

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

Item 1. Business

Business Overview

American Independence Corp. is a Delaware corporation (NASDAQ: AMIC). We are a holding company principally engaged in health insurance and reinsurance with principal executive offices located at 485 Madison Avenue, New York, New York 10022.

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

We provide specialized health coverage and related services to commercial customers and individuals. We focus on niche health products and/or narrowly defined distribution channels in the United States. Our wholly owned subsidiary, Independence American Insurance Company ("Independence American"), markets its products through IHC Risk Solutions, LLC (“Risk Solutions”) and agency subsidiaries and through independent brokers, producers and agents.

As used in this report, unless otherwise required by the context, AMIC and its subsidiaries are sometimes collectively referred to as the "Company" or "AMIC", or are implicit in the terms "we", "us" and "our".

AMIC retains much of the risk that it underwrites, and focuses on the following lines of business:

- Medical excess or “stop-loss”
- Major medical for individuals and families
- Group major medical
- Short-term medical
- Limited medical
- Pet insurance
- Vision
- Dental

Independence American, which is domiciled in Delaware, is licensed to write property and/or casualty insurance in 49 states and the District of Columbia, and has an A- (Excellent) rating from A.M. Best Company, Inc. ("A.M. Best"). We have been informed by A.M. Best that an A.M. Best rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial condition and operating performance, and is also based upon factors relevant to policyholders, agents, and intermediaries, and is not directed towards protection of investors. A.M. Best ratings are not recommendations to buy, sell or hold securities of the Company.

Risk Solutions is a full-service direct writer of medical stop-loss insurance for self-insured employer groups. After the end of the first quarter of 2011, the Company consolidated its wholly owned subsidiaries, Risk Assessment Strategies, Inc. ("RAS"), IHC Risk Solutions – IIG (“IIG”), and IHC Risk Solutions, Inc. (“RSI”) (formerly known as Excess Claims Administrators, Inc.) into Voorhees Risk Management LLC (formerly known as Marlton Risk Group LLC) and changed the name of Voorhees Risk Management, LLC, the surviving entity, to IHC Risk Solutions LLC (“Risk Solutions”). Risk Solutions markets, underwrites, collects premiums, administers and processes claims, and performs medical management services. AMIC also has a 23% minority investment in Majestic Underwriters LLC ("Majestic"), which transferred its stop-loss block and employees to Risk Solutions as of January 1, 2012 in exchange for fee income based on the business transferred. Independence Holding Company owns the remaining 77% interest in Majestic.

Risk Solutions has offices near Hartford, Connecticut and Philadelphia, Pennsylvania, and markets and underwrites employer medical stop-loss and group life primarily for Standard Security Life Insurance Company of New York ("Standard Security Life"). It also writes, to a much lesser extent, for four other carriers, including Madison National Life Insurance Company, Inc. ("Madison National Life") and Independence American. Independence Holding Company and its subsidiaries including, among others, Standard Security Life and Madison National Life are collectively referred to as "IHC". In March 2010, upon approval of the AMIC Board of Directors, IHC acquired control of AMIC through the purchase of additional shares of common stock in the open market. IHC owned 78.5% of AMIC's outstanding stock as of December 31, 2011. AMIC also has a 51% ownership in HealthInsurance.org, LLC ("HIO"), an insurance and marketing agency, and a 89.6% ownership in Independent Producers of America, LLC ("IPA"), a national, career agent marketing organization. The Company increased its ownership interest in IPA from 51% to 79% at September 30, 2011, and from 79% to 89.6% at December 31, 2011 (see Note 20 of Notes to Consolidated Financial Statements). HIO and IPA are collectively referred to as "our Agencies".

Independence American began writing group major medical, medical stop-loss, major medical plans for individuals and families, and short-term medical in 2007, added dental in 2009, and pet insurance in 2011. Given its A- (Excellent) rating from A.M. Best, Independence American expects to expand the distribution of its medical stop-loss and pet insurance products, and slightly increase the business written on its paper, especially major medical plans for individuals and families.

In addition, AMIC expects that the number of insurance leads produced by HIO will continue to grow and that the revenue from HIO will continue to accelerate. When AMIC acquired 51% of HIO in November, 2007, it was producing approximately 20,000 unique visitors per month. HIO now produces nearly 100,000 unique visitors per month. HIO also launched the Medicare Resource Center and began generating unique visitors and a small, but growing amount of revenue as baby boomers increasingly use the internet to purchase Medicare-related products.

Our Philosophy

Our business strategy consists of maximizing underwriting profits through a variety of niche health products and/or through distribution channels that enable us to access underserved markets or markets in which we believe we have a competitive advantage. In addition to distributing through independent agents and brokers, Independence American focuses on alternative distribution sources, such as captive agencies and direct-to-consumer initiatives. While management considers a wide range of factors in its strategic planning and decision-making, underwriting profit is consistently emphasized as the primary goal in all decisions.

Our Products

Medical Stop-Loss

Self-insured group major medical plans permit employers flexibility in designing employee health coverages at a cost that may be lower than that available through other health care plans provided by an insurer or managed care organizations ("MCO"). Employer medical stop-loss insurance provides coverage to public and private entities that elect to self-insure their employees' medical coverage for losses within specified ranges, which permits such groups to manage the risk of excessive health insurance costs by limiting specific and aggregate losses to predetermined amounts.

This stop-loss coverage is available on either a "specific" or a "specific and aggregate" or an "aggregate only" basis. Specific stop-loss coverage reimburses employers for large claims incurred by an individual employee or dependent. When an employee's or dependents' covered claims exceed the specific stop-loss deductible, covered amounts in excess of the deductible are reimbursable to the employer under the specific stop-loss policy. The specific stop-loss deductible is selected based on the number of covered employees, the employer's capacity to assume some of the risk, and the medical claim experience of the plan. Aggregate stop-loss coverage protects the employer against fluctuations due to claim frequency. The employer's overall claim liability is limited to a certain dollar amount, often referred to as the attachment point. An aggregate stop-loss policy usually provides reimbursement when coverage claims for the plan as a whole exceed the aggregate attachment point.

Standard Security Life and Independence American (and to a much lesser extent Madison National Life) market employer medical stop-loss insurance nationally on a direct basis through Risk Solutions and indirectly through a few select independent managing general underwriters ("MGUs"), which are non-salaried contractors that receive administrative fees. MGUs are responsible for establishing an employer's conditions for coverage in accordance with guidelines formulated and approved by Standard Security Life and Independence American, billing and collecting premiums from the employers, paying commissions to agents, and third-party administrators ("TPAs") and/or brokers. Standard Security Life and Independence American are responsible for selecting MGUs, establishing underwriting guidelines, maintaining approved policy forms and reviewing employers' claims for reimbursement, as well as establishing appropriate accounting procedures and reserves.

Fully Insured Health

Independence American writes fully insured health business, including consumer-driven health plans ("CDHPs"). These plans are offered primarily as preferred provider organizations ("PPO") plans, and provide a variety of cost-sharing options, including deductibles, coinsurance and co-payment. In 2011, Independence American wrote approximately $10.6 million of this business in the small employer market and retained 100% of the risk, subject to a contractual undertaking by the producer of this business to share in 35% of all profits and losses. Independence American expects a decrease in premium from this line of business in 2012. In 2011, Independence American wrote approximately $13.1 million of health plans for individuals and families through IPA and ceded up to 50% to a third-party reinsurer. AMIC anticipates a decline in this line of business in 2012 through this production source. However, AMIC anticipates modest growth in assumed reinsurance premiums produced by IPA from health plans for individuals and families written by Standard Security Life and Madison National Life. In addition, in late 2010 Independence American began to make available limited and scheduled benefit plans through IPA. It wrote approximately $1.1 million of this business in 2011. Short-term medical business is designed specifically for people with short-term needs for health coverage. Independence American is licensed to write this product in the vast majority of states, and will continue to seek alternative distribution channels that would give it an opportunity to write this business on its paper. Independence American expects modest growth in short-term medical business in 2012.

Short-term Statutory Disability

Independence American reinsures 20% of Standard Security Life's short-term statutory disability benefit product in New York State ("DBL"). All companies with more than one employee in New York State are required to provide DBL insurance for their employees. DBL coverage provides temporary cash payments to replace wages lost as a result of disability due to non-occupational injury or illness. The DBL policy provides for (i) payment of 50% of salary to a maximum of $170 per week; (ii) a maximum of 26 weeks in a consecutive 52 week period; and (iii) benefit commencement on the eighth consecutive day of disability. Policies covering fewer than 50 employees have fixed rates approved by the New York State Insurance Department. Policies covering 50 or more employees are individually underwritten. The DBL business is marketed primarily through independent general agents. Independence American expects the reinsurance premium from this line of business to remain steady in 2012.

Pet Insurance

Independence American writes pet insurance through Pets Best, a marketing and administrative company in Boise, ID that was established in 2005. During 2012, Independence American and Pets Best will begin to renew more than $20 million of premium that has been underwritten by another insurance company. It is believed to be the 4th largest writer of pet insurance. Pets Best plans are marketed to dog and cat owners through veterinary offices, independent marketing organizations, its nationwide call center, and increasingly, direct to consumer through www.petsbest.com. According to Package Facts (a leading publisher of market research in the food, beverage, consumer packaged goods, and demographic sectors), at November 2010, the pet insurance industry in the US is estimated at $365 million as of 2010, up 21% from 2009. The market size for 2014 is forecasted to reach $753 million, a compound annual growth rate of over 20%.

Reinsurance

Reinsurance is an arrangement in which an insurance company (the "reinsurer") agrees to indemnify another insurance company (the "ceding company") against all or a portion of the insurance risks underwritten by the ceding company under one or more insurance contracts. Reinsurance provides a ceding company with additional underwriting capacity by permitting it to accept larger risks and write more business than would be possible without an accompanying increase in statutory capital and surplus. There are two basic types of reinsurance arrangements: treaty and facultative reinsurance. In treaty reinsurance, the ceding company is obligated to cede and the reinsurer is obligated to assume a specified portion of a type of category of risks insured by the ceding company. Treaty reinsurers do not separately evaluate each of the individual risks assumed under their treaties and, consequently, after a review of the ceding company's underwriting practices, are largely dependent on the original risk underwriting decisions made by the ceding company. In facultative reinsurance, the ceding company cedes and the reinsurer assumes all or part of the risk under a single insurance contract. Independence American currently only participates in treaty reinsurance. Both treaty and facultative reinsurance can be written on either a pro rata basis or an excess of loss basis. Under pro rata reinsurance, the ceding company and the reinsurer share the premiums as well as the losses and expenses in an agreed proportion. Under excess of loss reinsurance, the reinsurer indemnifies the ceding company against all or a specified portion of losses and expenses in excess of a specified dollar amount, known as the ceding company's retention or reinsurer's attachment point, generally subject to a negotiated reinsurance contract limit. Premiums paid by the ceding company to a reinsurer for excess of loss reinsurance are not directly proportional to the premiums that the ceding company receives because the reinsurer does not assume a proportionate risk. In pro rata reinsurance, the reinsurer generally pays the ceding company a ceding commission. The ceding commission generally is based on the ceding company's cost of acquiring and managing the business being reinsured (commissions, premium taxes, assessments and miscellaneous administrative expenses). Independence American participates in pro rata reinsurance for their medical stop-loss business.

During 2011, 58% of Independence American’s premiums earned were derived from assumed reinsurance premiums, compared to 61% in 2010. In 2011, 66% of this premium was related to medical stop-loss business, 27% was related to fully insured health business, and 7% was related to DBL. Of the medical stop-loss premiums, 69% was generated from pro rata reinsurance treaties with Standard Security Life and Madison National Life pursuant to which they cede, at treaty renewals, at least 15%, and may cede up to 30%, of their gross medical stop-loss premiums written to Independence American under most of IHC’s medical stop-loss programs. For 2011, Standard Security Life and Madison National Life ceded, on average, approximately 20% of their medical stop-loss business to Independence American. The reinsurance treaties between Independence American and Standard Security Life and Independence American and Madison National Life terminate December 31, 2014, unless terminated sooner by Independence American. Standard Security Life, which is domiciled in New York, is licensed as an insurance company in all 50 states, the District of Columbia, the Virgin Islands and Puerto Rico. Madison National Life, which is domiciled in Wisconsin, is licensed to sell insurance products in 49 states, the District of Columbia, Guam, American Samoa and the U.S. Virgin Islands, and is an accredited reinsurer in New York. Both companies are rated A- (Excellent) by A.M. Best. The balance of the medical stop-loss assumed reinsurance premium was related to business written by unaffiliated carriers on other programs. For 2011, Independence American received between 10% and 25% of the premium on these unaffiliated programs. The Company's strategic plan is to continue to expand the fully insured health (particularly in pet insurance) and medical stop-loss business written by Independence American.

Federal Net Operating Loss Carryforwards

At December 31, 2011, AMIC had consolidated net operating loss (“NOL”) carryforwards of approximately $275 million for federal income tax purposes. Some or all of the NOL carryforwards may be available to offset, for federal income tax purposes, the future taxable income, if any, of AMIC as described in more detail in Note 14 of the Notes to Consolidated Financial Statements. The Internal Revenue Service ("IRS") is currently auditing the Company’s 2009 consolidated income tax return. The IRS has previously audited the Company’s 2003 and 2004 consolidated income tax returns and made no changes to the reported tax for those periods. The IRS has not audited any of AMIC's tax returns for any of the years in which the losses giving rise to the NOL carryforward were reported.

Our ability to utilize our NOLs would be substantially reduced if AMIC were to undergo an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). Generally, an "ownership change" occurs if one or more "5% Stockholders" (which generally includes any stockholder who owns five percent or more in value of a company's capital stock) increase their aggregate percentage ownership by more than 50 percentage points over the lowest percentage of stock owned by such stockholders over the preceding three-year period. For this purpose, all holders who each own less than five percent of a company's capital stock generally are treated together as a single "5% Stockholder." In addition, certain attribution rules, which generally attribute ownership of stock to the ultimate beneficial owner thereof without regard to ownership by nominees, trusts, corporations, partnerships, or other entities, are applied to determine the level of stock ownership of a particular stockholder. Transactions in the public markets among stockholders owning less than five percent of the equity securities are generally not included in the calculation, but acquisitions by a person causing that person to become a five percent or more stockholder may be treated as a five percentage (or more) point change in ownership, regardless of the size of the purchase that caused the threshold to be exceeded.

In order to reduce the risk of an ownership change, in November 2002, AMIC's stockholders approved an amendment to its certificate of incorporation restricting transfers of shares of its common stock that could result in the imposition of limitations on the use, for federal, state and city income tax purposes, of AMIC's NOL carryforwards and certain federal income tax credits. The certificate of incorporation generally restricts any person from attempting to sell, transfer or dispose, or purchase or acquire any AMIC stock, if such transfer would affect the percentage of AMIC stock owned by a 5% Stockholder. Any person attempting such a transfer will be required, prior to the date of any proposed transfer, to request in writing that the board of directors review the proposed transfer and authorize or not authorize such proposed transfer. Any attempted transfer made in violation of the stock transfer restrictions will be null and void. In the event of an attempted or purported transfer involving a sale or disposition of capital stock in violation of stock transfer restrictions, the transferor will remain the owner of such shares. Notwithstanding such transfer restrictions, there could be circumstances under which an issuance by AMIC of a significant number of new shares of common stock or other new class of equity security having certain characteristics (for example, the right to vote or convert into common stock) might result in an ownership change under the Code.

Investments and Reserves

Independence American's securities portfolio is managed by employees of IHC and its affiliates, and ultimate investment authority rests with Independence American's board of directors. As a result of the nature of its insurance liabilities, Independence American endeavors to maintain a significant percentage of its assets in investment grade securities, cash and cash equivalents. At December 31, 2011, 98.6% of the fixed maturities were investment grade. The internal investment group provides a summary of the investment portfolio and the performance thereof at the meetings of the Company's board of directors.

Under Delaware insurance law, there are restrictions relating to the percentage of an insurer's admitted assets that may be invested in a specific issuer or in the aggregate in a particular type of investment. In addition, there are qualitative investment restrictions.

Liabilities for insurance reserves were computed using information derived from actual historical premium and claims data. This method is widely used in the health insurance industry to estimate the liabilities for insurance reserves. Inherent in this calculation are management and actuarial judgments and estimates which could significantly impact the ending reserve liabilities and, consequently, operating results. Actual results may differ, and these estimates are subject to interpretation and change. See Critical Accounting Policies for further explanation of insurance reserve calculation.

Competition and Regulation

Independence American competes with many larger insurance and reinsurance companies and managed care organizations. Risk Solutions competes with many other managing general underwriters, insurance companies, and MCOs.

AMIC is an insurance holding company; as such, AMIC and its subsidiaries are subject to regulation and supervision by multiple state insurance regulators, including the Office of the Insurance Commissioner of the State of Delaware (Independence American’s domestic regulator). Independence American is subject to regulation and supervision in every state in which it is licensed to transact business. These supervisory agencies have broad administrative powers with respect to the granting and revocation of licenses to transact business, the licensing of agents, the approval of policy forms, the approval of commission rates, the form and content of mandatory financial statements, reserve requirements and the types and maximum amounts of investments which may be made. Such regulation is primarily designed for the benefit of policyholders rather than the stockholders of an insurance company or insurance holding company.

Certain transactions within the AMIC holding company system are also subject to regulation and supervision by such regulatory agencies. All such transactions must be fair and equitable. Notice to or prior approval by the applicable insurance department is required with respect to transactions affecting the ownership or control of an insurer and of certain material transactions, including dividend declarations, between an insurer and any person in its holding company system. Under Delaware insurance laws, "control" is defined as the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, and is presumed to exist if any person, directly or indirectly, owns, controls or holds with the power to vote ten percent or more of the voting securities of any other person. An agreement to acquire control of an insurer domiciled in Delaware must be approved by the Office of the Insurance Commissioner of the State of Delaware. In addition, periodic disclosure is required concerning the operations, management and financial condition of the insurer within the holding company system. An insurer is also required to file detailed annual statements with each supervisory agency, and its affairs and financial conditions are subject to periodic examination.

The National Association of Insurance Commissioners has developed a formula for analyzing insurance companies called risk−based capital. The risk−based capital formula is intended to establish minimum capital thresholds that vary with the size and mix of an insurance company’s business and assets. It is designed to identify companies with capital levels that may require regulatory attention. The risk-based capital ratio is determined by dividing an insurance company's total adjusted capital, as defined, by its authorized control level risk-based capital. Companies that do not meet certain minimum standards require specified corrective action. At December 31, 2011, Independence American's total adjusted capital was significantly in excess of the authorized control level risk−based capital.

Discontinued Operations

Prior to becoming an insurance holding company in November 2002, the Company (then known as SoftNet Systems, Inc.) was a holding company principally engaged in providing Internet services. Due to difficult and deteriorating conditions in that market, the Company wound down those businesses.

Employees

The Company and its subsidiaries, collectively, had 50 employees as of December 31, 2011.

Item 1A. *Risk Factors*

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

Our industry is highly regulated and changes in regulations affecting our businesses may reduce our profitability and limit our growth.

Our insurance subsidiaries are subject to state insurance laws and regulated by the insurance departments of the various states in which they are domiciled and licensed, which, among other things, conduct periodic examination of insurance companies. State laws grant insurance regulatory authorities broad administrative powers with respect to various aspects of our insurance businesses, including:

- licensing companies and agents to transact business and regulating their respective conduct in the market;
- requiring certain methods of accounting and prescribing the form and content of records of financial condition required to be filed;
- calculating the value of assets to determine compliance with statutory requirements;
- establishing statutory capital and reserve requirements, such as for unearned premiums and losses;
- regulating certain premium rates and requiring deposits for the benefit of policyholders;
- establishing maximum interest rates on insurance policy loans;
- establishing standards of solvency, including risk-based capital measurements, which are a measure developed by the National Association of Insurance Commissioners (NAIC) and used by state insurance regulators to identify insurance companies that potentially are inadequately capitalized;
- mandating certain insurance benefits and restricting the size of risks insurable under a single policy;
- regulating unfair trade and claims practices, including the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements;
- approving changes in control of insurance companies;
- restricting transactions between insurance companies and their affiliates, including the payment of dividends to affiliates; and
- regulating the nature or types, concentration or amounts, quality and valuation of investments.

Currently, the U.S. federal government does not directly regulate the business of insurance. However, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which was signed into law in July 2010 by President Obama, created a Federal Insurance Office. While the office will not directly regulate domestic insurance business, it is tasked with studying the potential efficiency and consequences of federal insurance regulation. The Dodd-Frank Act also created the Consumer Financial Protection Bureau (“CFPB”). While the CFPB does not have direct jurisdiction over insurance products, it is possible that regulations promulgated by the CFPB may extend its authority more broadly to cover certain insurance products and thereby may adversely affect our results of operations. Additionally, federal legislation and administrative policies in other areas can significantly and adversely affect insurance companies, including general financial services regulation, securities regulation, privacy regulation, tort reform legislation, and taxation.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase our direct and indirect compliance efforts and other expenses of doing business.

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

Although health insurance is generally regulated at the state level, recent legislative actions were taken at the federal level that impose added restrictions on our business. The Patient Protection and Affordable Care Act (“PPACA”) was signed into law by President Obama in March 2010. Provisions of the PPACA and related reforms have and will become effective at various dates over the next several years and will make sweeping and fundamental changes to the U.S. health care system that are expected to significantly affect the health insurance industry. Although we cannot predict or quantify the precise effects of the PPACA on our business, the effects on our Company will include, in particular, a requirement that we pay rebates to customers if the loss ratios for some of our products lines are less than specified percentages; the need to reduce commissions and the consequent risk that insurance producers may sell less of our products than they have in the past; a prohibition from imposing any pre-existing condition exclusion; limits on our ability to rescind coverage except for intentional fraud; increased costs to modify and/or sell our products; intensified competitive pressures that limit our ability to increase rates due to state insurance exchanges; significant risk of customer loss; new and higher taxes and fees to generate the revenues to implement the PPACA; and the need to operate with a lower expense structure at both the business segment and enterprise level.

The consequences of these significant coverage expansions on the sales of our products are unknown and speculative at this point. A number of state governors have strenuously opposed certain of the PPACA’’s provisions, and initiated lawsuits challenging its constitutionality. These challenges are pending final adjudication in several jurisdictions, including the U.S. Supreme Court. The U.S. Congress has also proposed a number of legislative initiatives, including possible repeal of the PPACA. At this time, it remains unclear whether there will be any changes made to the PPACA, whether to certain provisions or its entirety. We expect that the PPACA, as well as other federal or state health care reform measures that may be adopted in the future, could have a material adverse effect on our industry generally and our ability to successfully commercialize our products.

We will continue to monitor the implementation of PPACA and reassess our business strategies accordingly. We have made, and are continuing to make, significant changes to our operations, products and strategy to adapt to the new environment. However, if our plans for operating in the new environment are unsuccessful or if there is less demand than we expect for our products in the new environment, our results could be adversely affected.

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

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

In particular, at December 31, 2011, fixed maturities represented $57.4 million or 89% of our total investments of $64.3 million. The fair market value of fixed maturities and the related investment income fluctuates depending on general economic and market conditions. The fair market value of these investments generally increases or decreases in an inverse relationship with fluctuations in interest rates, while net investment income realized by us will generally increase or decrease in line with changes in market interest rates. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations. An investment has prepayment risk when there is a risk that the timing of cash flows that result from the repayment of principal might occur earlier than anticipated because of declining interest rates or later than anticipated because of rising interest rates. For mortgage−backed securities, credit risk exists if mortgagees default on the underlying mortgages. Although at December 31, 2011, approximately 98.6% of the fixed maturities were investment grade, all of our fixed maturities are subject to credit risk. If any of the issuers of our fixed maturities suffer financial setbacks, the ratings on the fixed maturities could fall (with a concurrent fall in fair value) and, in a worst case scenario, the issuer could default on its financial obligations. If the issuer defaults, we could have realized losses associated with the impairment of the securities.

The impact of market value fluctuations affects our Consolidated Financial Statements. Because all of our fixed maturities are classified as available for sale, changes in the fair market value of our securities are reflected in our stockholders' equity (accumulated other comprehensive income or loss). No similar adjustment is made for liabilities to reflect a change in interest rates. Therefore, interest rate fluctuations and economic conditions could adversely affect our stockholders' equity, total comprehensive income and/or cash flows.

We review our investment securities regularly and determine whether other-than-temporary impairments have occurred. For fixed maturities, if a decline in fair value is judged by management to be other-than-temporary, and we do not intend to sell the security and it is not more likely than not that we will be required to sell the security prior to recovery of the security's amortized cost, the impairment is bifurcated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized by a charge to total other-than-temporary impairment losses in the Consolidated Statements of Operations, establishing a new cost basis for the security. The amount of the other-than-temporary impairment related to all other factors is recognized in other comprehensive income in the Consolidated Balance Sheets. The factors considered by management in its regular review include, but are not limited to: the length of time and extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; adverse changes in ratings announced by one or more rating agencies; subordinated credit support; whether the issuer of a debt security has remained current on principal and interest payments; current expected cash flows; whether the decline in fair value appears to be issuer specific or, alternatively, a reflection of general market or industry conditions (including, in the case of fixed maturities, the effect of changes in market interest rates); and our intent to sell, or be required to sell, the debt security before the anticipated recovery of our remaining amortized cost basis. Therefore, changes in facts and circumstances and critical assumptions could result in management's decision that further impairments have occurred. This could lead to additional losses on investments, particularly those that management has the intent and ability to hold until recovery in value occurs.

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

Goodwill represented $23.6 million of our $132.8 million in total assets as of December 31, 2011. We review our goodwill annually for impairment or more frequently if indicators of impairment exist. We regularly assess whether any indicators of impairment exist, which requires a significant amount of judgment. Such indicators may include: a sustained significant decline in our share price and market capitalization; a decline in our expected future cash flows; a significant adverse change in the business climate; and/or slower growth rates, among others. Any adverse change in one of these factors could have a significant impact on the recoverability of these assets and could have a material impact on our consolidated financial statements. If we experience a sustained decline in our results of operations and cash flows, or other indicators of impairment exist, we may incur a material non-cash charge to earnings relating to impairment of our goodwill, which could have a material adverse effect on our results.

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

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

In addition, a number of states are contemplating significant reform of their health insurance markets affecting both public programs and privately financed health insurance arrangements. State insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof, are often made for the benefit of the consumer at the expense of the insurer and thus could have an adverse effect on our business.

We cannot predict what impact, if any, the results of these studies or other such proposals, if enacted, may have on our financial condition, results of operations and cash flows.

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

Ratings have become an increasingly important factor in establishing the competitive position of insurance companies. Independence American is rated A- (Excellent) by A.M. Best, whose ratings reflect its opinions of an insurance company's financial strength, operating performance, strategic position, and ability to meet its obligations to policyholders and are not evaluations directed to investors. The rating of Independence American is subject to periodic review by A.M. Best. If A.M. Best were to reduce Independence American's ratings from current levels, our business would be adversely affected.

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

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

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

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

- Fluctuations in interest rates, inflationary pressures and other changes in the investment environment, which affect returns on invested capital;
- Losses related to epidemics, terrorist activities, random acts of violence or declared or undeclared war;
- Development of judicial interpretations relating to the scope of insurers' liability;
- The overall level of economic activity and the competitive environment in the industry;
- Greater than expected use of health care services by members;
- New mandated benefits or other regulatory changes that change the scope of business or increase our costs; and
- Failure of MGUs to adhere to underwriting guidelines as required by us in our MGU agreements.

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

The stock transfer restriction in our certificate of incorporation may not protect against adverse tax consequences.

Although the stock transfer restrictions contained in our certificate of incorporation are intended to reduce the likelihood of an ownership change, it will not prevent all transfers that might result in an "ownership change." Furthermore, certain changes in relationships and other events not addressed by the stock transfer restrictions could cause us to undergo an "ownership change." Section 382 of the Code is an extremely complex provision with respect to which there are many uncertainties. In addition, we have not requested a ruling from the IRS regarding the effectiveness of the stock transfer restrictions and, therefore, we cannot be certain that the IRS will agree that the stock transfer restrictions are effective for purposes of Section 382 of the Code. Further, we cannot assure that the stock transfer restrictions or portions thereof will be enforceable in Delaware courts or that the IRS would agree that all of our tax net operating loss carryforwards are allowable. In addition, our board of directors may determine, in its sole discretion, to permit a restricted transfer that results in an "ownership change" if it determines that such transfer is in our best interests. Therefore, the stock transfer restrictions were to reduce, but not necessarily eliminate, the risk that Section 382 of the Code will cause limitations on the use of our tax attributes.

We may experience periods with excess underwriting capacity and unfavorable premium rates because the insurance and reinsurance business is historically cyclical, which could cause our results to fluctuate.

The insurance and reinsurance business historically has been a cyclical industry characterized by periods of intense price competition due to excessive underwriting capacity, as well as periods when shortages of capacity permitted an increase in pricing and, thus, more favorable premium levels. An increase in premium levels is often, over time, offset by an increasing supply of insurance and reinsurance capacity, either by capital provided by new entrants or by the commitment of additional capital by existing insurers or reinsurers, which may cause prices to decrease. Any of these factors could lead to a significant reduction in premium rates, less favorable policy terms and fewer opportunities to underwrite insurance risks, which could have a material adverse effect on our results of operations and cash flows.

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

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

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

The effects of emerging claim and coverage issues on our business are uncertain.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended liability for claims and coverage may emerge. These changing conditions may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. In some instances, these changes may not become apparent until some time after we have issued insurance or reinsurance contracts that are affected by the changes. As a result, the full extent of liability under our insurance or reinsurance contracts may not be known for a significant period after a contract is issued, and our financial position and results of operations may be materially adversely affected.

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

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

Legal and regulatory investigations and actions are increasingly common in the insurance business and may result in financial losses and harm our reputation.

We face a significant risk of litigation and regulatory investigations and actions in the ordinary course of operating our businesses, including the risk of class action lawsuits and individual lawsuits relating, among other things, to sales or underwriting practices, payment of contingent or other sales commissions, claims payments and procedures, product design, disclosure, administration, additional premium charges for premiums paid on a periodic basis, interest crediting practices, denial or delay of benefits and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts, including punitive and treble damages, which may remain unknown for substantial periods of time. We are also subject to various regulatory inquiries, such as information requests, subpoenas, market conduct exams and books and record examinations, from state and federal regulators and other authorities, which may result in fines, recommendations for corrective action or other regulatory actions. Even if we ultimately prevail in the litigation, regulatory action or investigation, we could suffer significant reputational harm, which could have an adverse effect on our business.

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

Our industry is highly competitive and has experienced severe price competition from time to time over the last several years. We face competition from domestic and international insurance and reinsurance companies, from underwriting agencies, and from diversified financial services companies that are much larger than we are. Some of these competitors have greater financial, marketing and other resources, have been operating longer than we have and have established long-term and continuing business relationships through the industry, which can be a significant competitive advantage. In addition to competition in the operation of its business, we face competition from a variety of sources in attracting and retaining qualified employees. We cannot assure you that we will maintain our current competitive position in the markets in which we operate, or that we will be able to expand our operations into new markets and compete effectively in the future. If we fail to do so, our business could be materially adversely affected.

The occurrence of various events may adversely affect our ability to utilize fully our NOL carryforwards.

We have U.S. federal NOL carryforwards of approximately $275 million, which may be used against any profits from our business. However, events outside of our or IHC's control, such as certain acquisitions and dispositions of our common stock, may limit the use of all or a portion of our NOL carryforwards. If such events were to occur, our expectation of using our NOL carryforwards against potential profits would not be realized and we could potentially have a higher tax liability in the future than we would otherwise have had. As the NOL carryforwards are utilized by AMIC, the amount of our NOL carryforwards could be reduced upon audit by the IRS for those tax years open for assessment under the statute of limitations.

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

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

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

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

Certain of our business arrangements are terminable by other parties.

Independence American currently reinsures 20% of Standard Security Life's short-term statutory disability benefit product, but Standard Security Life is not contractually obligated to continue to cede this business to Independence American after termination of the current treaty year. Together with Madison National Life, Standard Security Life has ceded approximately 9% of the majority of their fully insured health business lines to Independence American, but neither Standard Security Life nor Madison National Life are contractually obligated to continue to cede this business to Independence American after termination of the current treaty years. Further, Standard Security Life and Madison National Life ceded approximately 20%, on average, of their medical stop-loss business to Independence American in 2011, but are not contractually obligated to cede amounts in excess of 15%. Risk Solutions is a significant producer of medical stop-loss business for IHC, producing 46% of total IHC stop-loss premium in 2011.

Failures elsewhere in the insurance industry could obligate us to pay assessments through guaranty associations.

Virtually all states require insurers licensed to do business in that state to bear a portion of the loss suffered by some insureds as the result of impaired or insolvent insurance companies. When an insurance company becomes insolvent, state insurance guaranty associations have the right to assess other insurance companies doing business in their state for funds to pay obligations to policyholders of the insolvent company, up to the state-specific limit of coverage. The total amount of the assessment is based on the number of insured residents in each state, and each company's portion is based on its proportionate share of premium volume in the relevant lines of business. The future failure of a large life or health insurer could trigger assessments which we would be obligated to pay. Further, amounts for historical insolvencies may be assessed over many years, and there can be significant uncertainty around the total obligation for a given insolvency. Existing liabilities may not be sufficient to fund the ultimate obligations of a historical insolvency, and we may be required to increase our liability, which could have an adverse effect on our results of operations.

Item 1B. *Unresolved Staff Comments*

None

Item 2. ***Properties***

Risk Solutions leases 6,200 square feet of office space in Marlton, New Jersey, which expires on June 30, 2016. Risk Solutions also leases 4,200 square feet of office space in South Windsor, Connecticut, which expires on February 28, 2014.

Item 3. ***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 relating to our outstanding legal proceedings and claims. We do not anticipate that the result of any pending legal proceeding or claim will have a material adverse effect on our financial condition or cash flows, although there could be such an effect on our results of operations for any particular period.

Item 4. ***Mine Safety Disclosures***

None

PART II

Item 5. ***Market for the Registrant's Common Equity, Related Stockholder Matters And Issuer Purchases of Equity Securities***

Market Information

Since November 15, 2002, American Independence Corp. ("AMIC or the "Company") common stock has been listed and traded on the NASDAQ Stock Market ("NASDAQ") under the symbol "AMIC". The following table sets forth for the periods indicated the range of prices for the Company's common stock as reported by NASDAQ.

Quarter Ended:		High		Low
December 31, 2011	$	5.21	$	3.40
September 30, 2011	$	6.20	$	4.74
June 30, 2011	$	6.20	$	4.48
March 31, 2011	$	5.25	$	4.82

Quarter Ended:		High		Low
December 31, 2010	$	5.63	$	4.44
September 30, 2010	$	5.54	$	4.36
June 30, 2010	$	6.29	$	4.60
March 31, 2010	$	6.55	$	4.16

Holders of Record

At February 28, 2012, there were 73 record holders of the Company's common stock. The number of record owners was determined from the Company's stockholder records maintained by the Company's transfer agent. The closing price for the Company's common stock at December 31, 2011 was $3.87.

Our ability to utilize our federal NOL carrryforwards would be substantially reduced if AMIC were to undergo an "ownership change" within the meaning of Section 382(g)(1) of the Internal Revenue Code. AMIC will be treated as having had an "ownership change" if there is more than a 50% increase in stock ownership during a three year '"testing period" by "5% stockholders". In order to reduce the risk of an ownership change, in November 2002, AMIC's stockholders approved an amendment to its certificate of incorporation restricting transfers of shares of its common stock that could result in the imposition of limitations on the use, for federal, state and city income tax purposes, of AMIC's NOL carryforwards and certain federal income tax credits. The certificate of incorporation generally restricts any person from attempting to sell, transfer or dispose, or purchase or acquire any AMIC stock, if such transfer would affect the percentage of AMIC stock owned by a 5% stockholder. Any person attempting such a transfer will be required, prior to the date of any proposed transfer, to request in writing that the board of directors review the proposed transfer and authorize such proposed transfer. Any attempted transfer made in violation of the stock transfer restrictions will be null and void. In the event of an attempted or purported transfer involving a sale or disposition of capital stock in violation of stock transfer restrictions, the transferor will remain the owner of such shares. Notwithstanding these transfer restrictions, there could be circumstances under which an issuance by AMIC of a significant number of new shares of common stock or other new class of equity security having certain characteristics (for example, the right to vote or convert into common stock) might result in an ownership change under the Code.

Dividends

The Company does not have any legal restriction on paying dividends, and no dividend on the Company's stock was declared during 2011.

Securities Authorized for Issuance Under Equity Compensation Plans

The information under the heading “Equity Compensation Plan Information” in the Company’s definitive proxy statement for the 2012 annual meeting of stockholders is incorporated herein by reference.

Issuer Purchases of Equity Securities

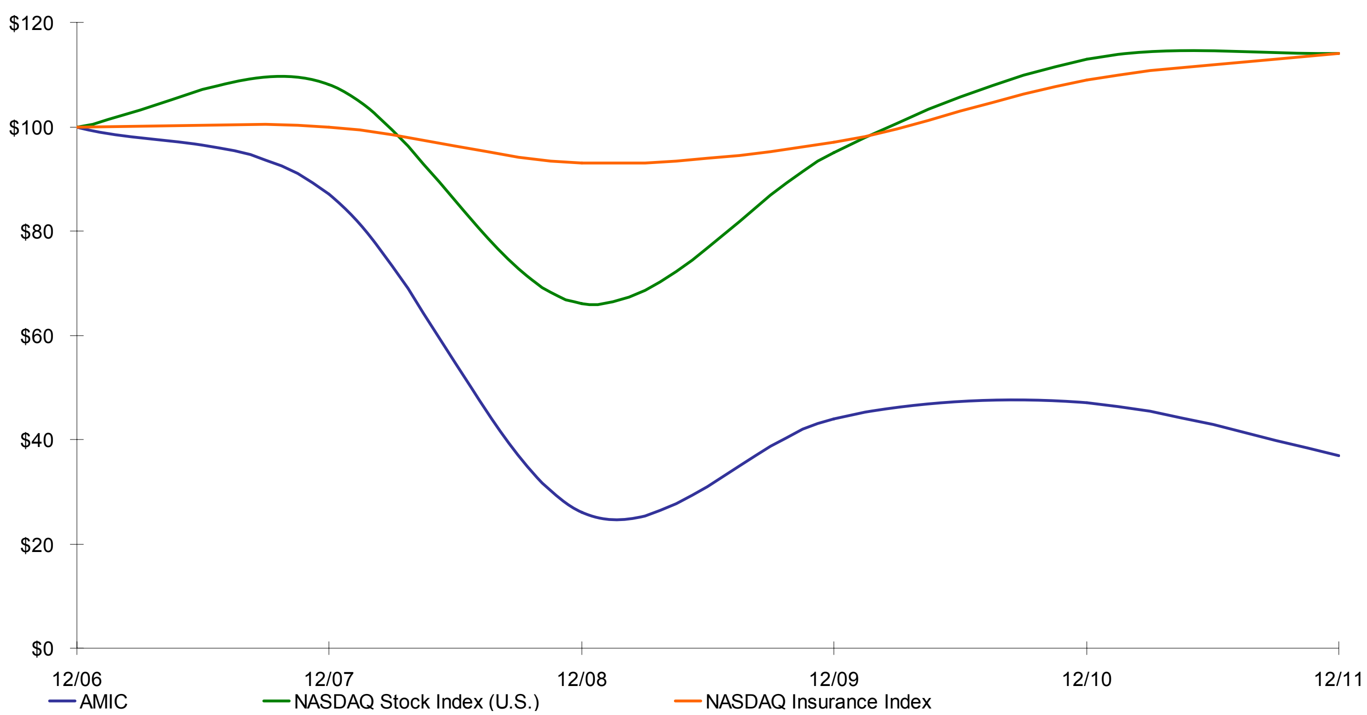
In June 2010, the Board of Directors of AMIC authorized the repurchase of up to 200,000 shares of AMIC’s common stock. In November 2011, the Board of Directors of AMIC authorized the repurchase of an additional 250,000 shares of AMIC common stock for a total of 450,000 shares authorized under the repurchase program. The repurchase program may be discontinued or suspended at any time. As of December 31, 2011, 186,898 shares were still authorized to be repurchased under the program. Share repurchases during the fourth quarter ended December 31, 2011 are summarized as follows:

2011			
Month of Repurchase	Shares Repurchased	Average Price of Repurchased Shares	Maximum Number Of Shares Which Can be Repurchased
November	251,370	$5.21	186,898

Performance Graph

Set forth below is a line graph comparing the five year cumulative total return of the AMIC’s common stock with that of the NASDAQ Market Index (US) and the NASDAQ Stock Market Insurance Index. The graph assumes that dividends were reinvested and is based on a $100 investment on December 31, 2006. Indices data was obtained from the Center for Research in Security Price (CRSP). The performance graph represents past performance and should not be considered to be an indication of future performance.

Comparison of Five Year Cumulative Total Return
Among AMIC, NASDAQ Stock Index (US) and NASDAQ Insurance Index



Item 6. ***Selected Financial Data***

The following is a summary of selected consolidated financial data of the Company for each of the last five years.

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(In thousands, except per share data)				
Income Data:					
Total revenues	$ 88,038	$ 89,404	$ 104,247	$ 113,312	$ 119,096
Income from continuing operations	3,184	2,982	3,166	1,511	1,353
Balance Sheet Data:					
Total investments	64,341	64,449	57,630	52,847	60,148
Total assets	132,780	129,876	131,205	127,455	138,405
Insurance liabilities	29,005	26,203	31,630	36,570	43,802
AMIC stockholders' equity	93,989	92,060	88,973	82,932	84,677
Per Share Data:					
Basic income per common share from continuing operations	.29	.25	.31	.12	.13
Diluted income per common share from continuing operations	.29	.25	.31	.12	.13
Book value per common share	11.36	10.82	10.46	9.75	9.96

The Selected Financial Data should be read in conjunction with the accompanying Consolidated Financial Statements and Notes thereto included in Item 8 of this report.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Overview

We are an insurance holding company engaged in the insurance and reinsurance business through our wholly owned insurance company, Independence American Insurance Company ("Independence American"), our full service direct writer of medical-stop insurance for self-insured employer groups IHC Risk Solutions, LLC (“Risk Solutions”), and our two insurance and marketing agencies Independent Producers of America, LLC (“IPA”) and HealthInsurance.org (“HIO”). Since November 2002, AMIC has been affiliated with Independence Holding Company ("IHC"), which owned 78.5% of AMIC's stock as of December 31, 2011. In March 2010, upon approval of the AMIC Board of Directors, IHC acquired control of AMIC through the purchase of approximately 28,000 shares of common stock of AMIC in the open market. As of December 31, 2011, IHC had acquired an additional 2,235,000 shares of AMIC, bringing its aggregate ownership to 78.5%. IHC's senior management has provided direction to us through service agreements between us and IHC. In 2011, a significant amount of Independence American’s revenue was from reinsurance premiums. The majority of these premiums are ceded to Independence American from IHC under long-term reinsurance treaties to cede its gross medical stop-loss premiums written to Independence American. In addition, Independence American assumes fully insured health and short-term statutory disability benefit product in New York State ("DBL") premiums from IHC, and assumes medical stop-loss premiums from unaffiliated carriers. Independence American began writing group major medical, medical stop-loss, major medical plans for individuals and families, and short-term medical in 2007, and added dental in 2009. Given its A- (Excellent) rating from A.M. Best, Independence American expects to expand the distribution of its medical stop-loss products, and slightly increase the business written on its paper, especially major medical plans for individuals and families and pet insurance.

While management considers a wide range of factors in its strategic planning, the overriding consideration is underwriting profitability. Management's assessment of trends in healthcare and in the medical stop-loss market play a significant role in determining whether to expand Independence American's health insurance premiums. Since Independence American reinsures a portion of all of the business produced by Risk Solutions, and since it is also eligible to earn profit sharing commissions based on the profitability of the business it places, Risk Solutions also emphasizes underwriting profitability. In addition, management focuses on controlling operating costs. By sharing employees with IHC and sharing resources among our subsidiaries, we strive to maximize our earnings.

The following is a summary of key performance information and events (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Revenues	$ 88,038	$ 89,404	$ 104,247
Expenses	83,547	85,331	99,609
Income before income tax	4,491	4,073	4,638
Provision for income taxes	1,307	1,091	1,472
Net income	3,184	2,982	3,166
Less: Net income attributable to the non-controlling interest	(690)	(883)	(554)
Net income attributable to American Independence Corp.	$ 2,494	$ 2,099	$ 2,612

- The book value of the Company's stockholders' equity increased to $11.36 per share at December 31, 2011 compared to $10.82 per share at December 31, 2010.

- Net income per share increased to $.29 per share, diluted, or $2.5 million, for the year ended December 31, 2011, compared to $.25 per share, diluted, or $2.1 million for the year ended December 31, 2010.

- At December 31, 2011, 98.6% of the Company's fixed maturities were investment grade.

- Consolidated investment yields were 3.3% and 4.0% for the years ended December 31, 2011 and 2010, respectively. This is due to a decrease in yields on collateralized mortgage obligations, mortgage-backed securities, corporate securities and municipal investments, slightly offset by an increase in yields on US government investments.

- Premiums earned decreased 2% to $72.4 million for the year ended December 31, 2011 from $73.9 million for the year ended December 31, 2010, primarily due to lower assumed medical stop-loss premiums and lower group major medical premiums written.

- For the years ended December 31, 2011 and 2010, Independence American wrote $13.1 million and $14.1 million, respectively, of individual health business produced by our marketing organization IPA. The Company increased its retention in this business to 70% from 50% in 2011.

- For the year ended December 31, 2011, Risk Solutions and our Agencies generated revenues of $13.1 million compared to $13.7 million for the year ended December 31, 2010 due to a decreased amount of business as a result of market conditions.

- Underwriting experience, as indicated by its GAAP Combined Ratios on our three lines of business for the years ended December 31, 2011, 2010 and 2009 are as follows (in thousands):

▪ **Medical Stop-Loss**	2011	2010	2009
Premiums Earned	$ 38,569	$ 39,247	$ 46,378
Insurance Benefits Claims and Reserves	25,759	28,789	30,937
Profit Commission Expense (Recovery)	1,044	218	950
Expenses	10,599	10,852	13,383
Loss Ratio (A)	66.8%	73.4%	66.7%
Profit Commission Expense Ratio (B)	2.7%	0.6%	2.0%
Expense Ratio (C)	27.5%	27.6%	28.9%
Combined Ratio (D)	97.0%	101.6%	97.6%

▪ **Fully Insured Health**		2011		2010		2009
Premiums Earned	$	30,913	$	31,394	$	35,834
Insurance Benefits Claims and Reserves		20,198		19,568		26,823
Profit Commission Expense (Recovery)		(428)		717		(294)
Expenses		7,865		7,510		8,514
Loss Ratio[(A)]		65.3%		62.3%		74.9%
Profit Commission Expense Ratio [(B)]		-1.4%		2.3%		-0.8%
Expense Ratio [(C)]		25.4%		23.9%		23.7%
Combined Ratio [(D)]		89.3%		88.5%		97.8%

▪ **DBL**		2011		2010		2009
Premiums Earned	$	2,966	$	3,218	$	3,303
Insurance Benefits Claims and Reserves		1,811		1,869		1,898
Expenses		917		936		999
Loss Ratio[(A)]		61.1%		58.1%		57.5%
Expense Ratio [(C)]		30.9%		29.1%		30.2%
Combined Ratio [(D)]		92.0%		87.2%		87.7%

(A) Loss ratio represents insurance benefits, claims and reserves divided by premiums earned.
(B) Profit commission expense ratio represents profit commissions divided by premiums earned.
(C) Expense ratio represents commissions, administrative fees, premium taxes and other underwriting expenses divided by premiums earned.
(D) The combined ratio is equal to the sum of the loss ratio, profit commission expense ratio and the expense ratio.

- The Company recorded a decrease in the loss ratio in the medical stop-loss line of business for the year ended December 31, 2011 due to improved profitability of both direct and assumed business. The medical stop-loss results have begun to show improved profit margins primarily as a result of business written in 2010 performing better than that written in the comparable period of 2009, and the run-out of poorly performing business by non-owned managing general underwriters ("MGUs") which were previously cancelled.

- The Company experienced a higher combined loss ratio for DBL for the year ended December 31, 2011 as a result of lower premiums due to a premium rate reduction mandated by the State of New York.

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform to U.S. generally accepted accounting principles ("GAAP"). The preparation of the Consolidated Financial Statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. A summary of the Company's significant accounting policies and practices is provided in Note 2 of the Notes to the Consolidated Financial Statements included in Item 8. Management has identified the accounting policies described below as those that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of the Company's Consolidated Financial Statements and this Management's Discussion and Analysis.

Insurance Reserves

The Company maintains loss reserves to cover its estimated liability for unpaid losses and loss adjustment expenses, where material, including legal and other fees, for reported and unreported claims incurred as of the end of each accounting period. These loss reserves are based on actuarial assumptions and are maintained at levels that are estimated in accordance with GAAP. The Company's estimate of loss reserves represents management's best estimate of the Company's liability at the balance sheet date.

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

Management believes that the Company's methods of estimating the liabilities for insurance reserves provided appropriate levels of reserves at December 31, 2011. Changes in the Company's reserve estimates are recorded through a charge or credit to its earnings.

Medical Stop-Loss

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

Projected Net Loss Ratio

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

While the Company establishes a best estimate of the Projected Net Loss Ratio, actual experience may deviate from this estimate. This was the case with the 2008, 2009 and 2010 underwriting years that increased (decreased) by (0.5), 3.3, and (0.9) Loss Ratio points, respectively. While the Company believes that larger variations are possible, based on the Company's experience to date, it is reasonably likely that the actual experience will fall within a range up to five Net Loss Ratio points above or below the expected Projected Net Loss Ratio for the 2011 underwriting year at December 31, 2011. The impact of these reasonably likely changes at December 31, 2011, would be an increase in net reserves (in the case of a higher ratio) or a decrease in net reserves (in the case of a lower ratio) of up to approximately $0.9 million with a corresponding increase or decrease in the pre-tax expense for insurance benefits, claims and reserves in the 2011 Consolidated Statement of Operations.

Major factors that affect the Projected Net Loss Ratio assumption in reserving for medical stop-loss relate to: (i) frequency and severity of claims; (ii) changes in medical trend resulting from the influences of underlying cost inflation, changes in utilization and demand for medical services, the impact of new medical technology and changes in medical treatment protocols; and (iii) the adherence by the MGUs that produce and administer this business to applicable underwriting guidelines. Changes in these underlying factors are what determine the reasonably likely changes in the Projected Net Loss Ratio as discussed above.

Claim Development Patterns

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

The Company also establishes its best estimates of claim development factors to be applied to more developed treaty year experience. While these factors are based on historical Claim Development Patterns, actual claim development may vary from these estimates. The Company does not believe that reasonably likely changes in its actual claim development patterns would have a Material Effect.

Predicting ultimate claims and estimating reserves in medical stop-loss is more complex than fully insured medical and disability business due to the "excess of loss" nature of these products with very high deductibles applying to specific claims on any individual claimant and in the aggregate for a given group. The level of these deductibles makes it more difficult to predict the amount and payment pattern of such claims. Fluctuations in results for specific coverage are primarily due to the severity and frequency of individual claims, whereas fluctuations in aggregate coverage are largely attributable to frequency of underlying claims rather than severity. Liabilities for first dollar medical reserves and disability coverages are computed using completion factors and expected loss ratios derived from actual historical premium and claim data.

Due to the short-term nature of medical stop-loss, redundancies or deficiencies will typically emerge during the course of the following year rather than over a number of years. For Employer Stop-Loss, as noted above, the Company maintains its reserves based on underlying assumptions until it determines that an adjustment is appropriate based on emerging experience from all of its MGUs for prior underwriting years.

Fully Insured Health

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

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

Premium and Fee Income Revenue Recognition

Direct and assumed premiums from short-duration contracts are recognized as revenue over the period of the contracts in proportion to the amount of insurance protection provided. The Company records fee income as policy premium payments are earned. Risk Solutions is compensated in two ways. It earns fee income based on the volume of business produced, and collect profit-sharing commissions if such business exceeds certain profitability benchmarks. Profit-sharing commissions are accounted for beginning in the period in which the Company believes they are reasonably estimable, which is typically at the point that claims have developed to a level where Claim Development Patterns can be applied to generate reasonably reliable estimates of ultimate claim levels.

Reinsurance

Amounts recoverable or paid for under reinsurance contracts are included in total assets or total liabilities as due from reinsurers or due to reinsurers. In 2011, Independence American derived a significant amount of its business from pro rata quota share reinsurance treaties with Standard Security Life and Madison National Life, which are wholly owned subsidiaries of IHC. These treaties terminate on December 31, 2014, unless terminated sooner by Independence American. Standard Security Life and Madison National Life must cede at least 15% of their medical stop-loss business to Independence American under these treaties. Additionally, Standard Security Life, Madison National Life and Independence American have received regulatory approval to cede up to 30% to Independence American under most of IHC's medical stop-loss programs. For each of the twelve months ended December 31, 2011 and 2010, Standard Security Life and Madison National Life ceded an average of approximately 20% of their medical stop-loss business to Independence American. Independence American reinsures 20% of Standard Security Life's DBL business. Standard Security Life and Madison National Life also ceded approximately 9% of the majority of their fully insured health business lines to Independence American. In addition, in 2011, Independence American ceded 30% of the majority of its fully insured health business lines to an unaffiliated reinsurer.

Income Taxes

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management believes that although sufficient uncertainty exists regarding the future realization of deferred tax assets, the valuation allowance has been adjusted to account for the expected utilization of net operating losses against future taxable income.

The Company has net operating loss carryforwards for federal income tax purposes available to reduce future income subject to income taxes. The net operating loss carryforwards expire between 2019 and 2029.

U.S. Federal and California tax laws impose substantial restrictions on the utilization of net operating loss and credit carryforwards in the event of an "ownership change" for tax purposes, as defined in Section 382 of the Internal Revenue Code.

Investments

The Company has classified all of its investments as available-for-sale securities. These investments are carried at fair value with unrealized gains and losses reported in accumulated other comprehensive income (loss) in the Consolidated Balance Sheets. Fixed maturities and equity securities available-for-sale totaled $61.7 million and $57.7 million at December 31, 2011 and 2010, respectively. Premiums and discounts on debt securities purchased at other than par value are amortized and accreted, respectively, to interest income in the Consolidated Statements of Operations, using the constant yield method over the period to maturity. Net realized gains and losses on investments are computed using the specific identification method and are reported in the Consolidated Statements of Operations.

Fair value is determined using quoted market prices when available. In some cases, we use quoted market prices for similar instruments in active markets and/or model-derived valuations where inputs are observable in active markets. When there are limited or inactive trading markets, we use industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on management assumptions and available current market information. Further, we retain independent pricing vendors to assist in valuing certain instruments, primarily all the securities in our portfolio classified in Level 2 or Level 3 in the Fair Value Hierarchy.

The Company periodically reviews and assesses the vendor's qualifications and the design and appropriateness of its pricing methodologies. Management will on occasion challenge pricing information on certain individual securities and, through communications with the vendor, obtain information about the assumptions, inputs and methodologies used in pricing those securities, and corroborate it against documented pricing methodologies. Validation procedures are in place to determine completeness and accuracy of pricing information, including, but not limited to: (i) review of exception reports that (a) identify any zero or un-priced securities; (b) identify securities with no price change; and (c) identify securities with significant price changes; (ii) performance of trend analyses; (iii) periodic comparison of pricing to alternative pricing sources; and (iv) comparison of pricing changes to expectations based on rating changes, benchmarks or control groups. In certain circumstances, pricing is unavailable from the vendor and broker pricing information is used to determine fair value. In these instances, management will assess the quality of the data sources, the underlying assumptions and the reasonableness of the broker quotes based on the current market information available. To determine if an exception represents an error, management will often have to exercise judgment. Procedures to resolve an exception vary depending on the significance of the security and its related class, the frequency of the exception, the risk of material misstatement, and the availability of information for the security. These procedures include, but are not limited to; (i) a price challenge process with the vendor; (ii) pricing from a different vendor; (iii) a reasonableness review; (iv) a change in price based on better information, such as an actual market trade, among other things. Management considers all facts and relevant information obtained during the above procedures to determine the proper classification of each security in the Fair Value Hierarchy.

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

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

Goodwill and Other Intangibles

Goodwill and intangible assets with indefinite lives, which consist of licenses, are not amortized but are evaluated for impairment in the aggregate at the end of the fourth quarter of each year, or more frequently if indicators arise. If the fair value of the Company is less than its carrying amount (including goodwill), further evaluation is required to determine if a write-down of goodwill is required. Any impairment write-down of goodwill would be charged to expense. No impairment charge was required in 2011 or 2010. If the Company experiences a sustained decline in its results of operations and cash flows, or other indicators of impairment exist, the Company may incur a material non-cash charge to earnings relating to impairment of our goodwill, which could have a material adverse effect on our results.

RESULTS OF OPERATIONS

Results of Operations for the Year Ended December 31, 2011, compared to the Year Ended December 31, 2010

December 31, 2011 (In thousands)	Premiums Earned	Fees and Other Income	Net Investment Income	Benefits, Claims and Reserves	Selling, General and Admin	Amortization and Depreciation	Total
Independence American:							
Medical stop-loss	$ 38,569	-	1,417	25,759	11,497	146	$ 2,584
Fully Insured Health	30,913	-	496	20,198	6,935	502	3,774
DBL	2,966	-	68	1,811	917	-	306
Total Independence American	72,448	-	1,981	47,768	19,349	648	6,664
Risk Solutions and Agencies	-	12,970	163	-	13,737	207	(811)
Corporate	-	-	45	-	1,838	-	(1,793)
Subtotal	$ 72,448	12,970	2,189	47,768	34,924	855	4,060
Net realized investment gains							520
Other-than-temporary impairment losses							(89)
Income before income taxes							4,491
Income taxes							(1,307)
Net income							3,184
Less: Net income attributable to the non-controlling interest							(690)
Net income attributable to American Independence Corp.							$ 2,494

December 31, 2010 (In thousands)	Premiums Earned	Fees and Other Income	Net Investment Income	Benefits, Claims and Reserves	Selling, General and Admin	Amortization and Depreciation	Total
Independence American:							
Medical stop-loss	$ 39,247	-	1,683	28,789	10,923	147	$ 1,071
Fully Insured Health	31,394	-	508	19,568	7,725	502	4,107
DBL	3,218	-	75	1,869	936	-	488
Total Independence American	73,859	-	2,266	50,226	19,584	649	5,666
Risk Solutions and Agencies	-	13,450	236	-	13,071	212	403
Corporate	-	-	16	-	1,589	-	(1,573)
Subtotal	$ 73,859	13,450	2,518	50,226	34,244	861	4,496
Net realized investment losses							(244)
Other-than-temporary impairment losses							(179)
Income before income taxes							4,073
Income taxes							(1,091)
Net Income							2,982
Less: Net income attributable to the non-controlling interest							(883)
Net income attributable to American Independence Corp.							$ 2,099

Premiums Earned. Premiums earned decreased 2%, or $1,411,000 from 2010 to 2011. The Company currently has three lines of business. Premiums relating to medical stop-loss business decreased $678,000. This is due to a decrease in medical stop-loss premiums assumed by Independence American ($2,597,000), offset by an increase in medical stop-loss premiums written by Independence American ($1,919,000). Premiums relating to fully insured health consisting of group major medical, limited medical, short-term medical, dental, vision, hospital indemnity, and individual health decreased $481,000. The decrease is primarily due to a decrease in group major medical premiums written by Independence American ($1,600,000) and a decrease in fully insured premiums assumed from IHC ($428,000), offset by an increase in hospital indemnity premiums

($734,000) and individual health premiums ($547,000) written by Independence American. Premiums relating to DBL decreased $252,000 primarily due to a premium rate reduction mandated by the State of New York. For the year ended December 31, 2011, Independence American assumed 10% of IHC's short-term medical business, approximately 9% of certain of IHC's group major medical business, 20% of IHC's DBL business and approximately 20% of IHC's medical stop-loss business. There were no significant changes to these percentages from the prior year.

Fee and Agency Income. Fee and agency income decreased $778,000 from 2010 to 2011. Risk Solutions fee income-administration increased $457,000 to $4,950,000 for 2011, compared to $4,493,000 for 2010. Risk Solutions fee income-profit commission decreased $248,000 to $671,000 for 2011, compared to $919,000 for 2010. Profit commissions for a given year are based primarily on the performance of business written during portions of the three preceding years. Therefore, profit commissions for 2011 are based on business written during portions of 2008, 2009 and 2010. In 2011, income from our Agencies consisted of commission income and other fees of $4,852,000 from IPA and revenue of $2,174,000 from HIO. In 2010, income from our Agencies consisted of commission income and other fees of $5,752,000 from IPA and revenue of $2,261,000 from HIO.

Net Investment Income. Net investment income decreased $329,000 from 2010 to 2011. The investment yields were 3.3% for 2011 and 4.0% for 2010. This is due to a decrease in yields on collateralized mortgage obligations, mortgage-backed securities, corporate securities and municipal investments, slightly offset by an increase in yields on US government investments.

Net Realized Investment Gains and Other-Than-Temporary Impairment Losses. The Company recorded a net realized investment gain of $520,000 for the year ended December 31, 2011, compared to a loss of $244,000 for the year ended December 31, 2010. The Company's decision as to whether to sell securities is based on management's ongoing evaluation of investment opportunities and economic market conditions, thus creating fluctuations in realized gains or losses from period to period. For the year ended December 31, 2011 and 2010, the Company recorded $89,000 and $179,000, respectively, of other-than-temporary-impairment losses in earnings. These credit losses were a result of the expected cash flows of a debt security being less than the debt security's amortized cost.

Other Income. Other income increased $298,000 from 2010 to 2011 due to consulting fees earned by Risk Solutions for the year ended December 31, 2011.

Insurance Benefits, Claims and Reserves. Insurance benefits claims and reserves decreased 5%, or $2,458,000 from 2010 to 2011. The decrease is primarily comprised of a decrease in assumed medical stop-loss of $3,139,000 due to lower earned premiums and improved loss ratios, and a decrease in assumed fully insured of $1,032,000 due to lower premiums written and lower loss ratios, offset by an increase in direct group major medical of $774,000 due to higher paid claims and an increase in direct individual health of $669,000 due to higher premiums.

Selling, General and Administrative. Selling, general and administrative expenses increased $680,000 from 2010 to 2011. This increase is primarily due to (i) higher expenses at Risk Solutions of $1,131,000 primarily due to the formation of IIG in January 2011, (ii) higher expenses at HIO of $354,000 due to higher referral fees, (iii) higher underwriting expenses of $521,000 at Independence American due primarily to higher actuarial expenses, (iv) offset by lower expenses at IPA of $819,000 primarily due to lower agent commission expense, (v) a decrease in commission and brokerage expense of $535,000 at Independence American primarily due to lower assumed medical stop-loss premiums written.

Amortization and Depreciation. Amortization and depreciation expense decreased $6,000 from 2010 to 2011.

Income Taxes. The provision for income taxes increased $216,000 to $1,307,000, an effective rate of 34.4%, for 2011, compared to $1,091,000, an effective rate of 34.2%, for 2010. Net income for 2011 and 2010 includes a non-cash provision for federal income taxes of $1,258,000 and $1,023,000, respectively. The state tax effective rate increased to 1.3% for 2011, compared to 1.0% for 2010. For as long as AMIC utilizes its NOL carryforwards, it will not pay any income taxes, except for federal alternative minimum taxes and state income taxes.

Net Income attributable to the non-controlling interest. Net income attributable to the non-controlling interest decreased $193,000 from 2010 to 2011. The net income for 2011 relates to the 49% non-controlling interest in HIO and the 49% non-controlling interest in IPA for the first three quarters of the year and 21% non-controlling interest in IPA for the fourth quarter of the year. The net income for 2010 relates to the 49% non-controlling interest in HIO and the 49% non-controlling interest in IPA.

Net Income attributable to American Independence Corp. The net income attributable to the Company increased to $2,494,000, or $.29 per share, diluted, for 2011, compared to $2,099,000, or $.25 per share, diluted, for 2010.

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

December 31, 2010 (In thousands)	Premiums Earned	Fees and Other Income	Net Investment Income	Benefits, Claims and Reserves	Selling, General and Admin	Amortization and Depreciation	Total
Independence American:							
Medical stop-loss	$ 39,247	-	1,683	28,789	10,923	147	$ 1,071
Fully Insured Health	31,394	-	508	19,568	7,725	502	4,107
DBL	3,218	-	75	1,869	936	-	488
Total Independence American	73,859	-	2,266	50,226	19,584	649	5,666
Risk Solutions and Agencies	-	13,450	236	-	13,071	212	403
Corporate	-	-	16	-	1,589	-	(1,573)
Subtotal	$ 73,859	13,450	2,518	50,226	34,244	861	4,496
Net realized investment losses							(244)
Other-than-temporary impairment losses							(179)
Income before income taxes							4,073
Income taxes							(1,091)
Net income							2,982
Less: Net income attributable to the non-controlling interest							(883)
Net income attributable to American Independence Corp.							$ 2,099

December 31, 2009 (In thousands)	Premiums Earned	Fees and Other Income	Net Investment Income	Benefits, Claims and Reserves	Selling, General and Admin	Amortization and Depreciation	Total
Independence American:							
Medical stop-loss	$ 46,378	46	1,942	30,937	14,186	147	$ 3,096
Fully Insured Health	35,834	162	548	26,823	7,719	501	1,501
DBL	3,303	-	72	1,898	999	-	478
Total Independence American	85,515	208	2,562	59,658	22,904	648	5,075
Risk Solutions and Agencies	-	15,324	361	-	14,768	194	723
Corporate	-	1	1	-	1,437	-	(1,435)
Subtotal	$ 85,515	15,533	2,924	59,658	39,109	842	4,363
Net realized investment gains							275
Income before income taxes							4,638
Income taxes							(1,472)
Net Income							3,166
Less: Net income attributable to the non-controlling interest							(554)
Net income attributable to American Independence Corp.							$ 2,612

Premiums Earned. Premiums earned decreased 14%, or $11,656,000 from 2009 to 2010. The Company currently has three lines of business. Premiums relating to medical stop-loss business decreased $7,131,000. This is due to a decrease in medical stop-loss premiums assumed by Independence American ($9,285,000), offset by an increase in medical stop-loss premiums written by Independence American ($2,154,000). Premiums relating to fully insured health consisting of group major medical, limited medical, short-term medical, dental, vision, and individual health decreased $4,440,000. The decrease is primarily due to a decrease in group major medical premiums written by Independence American ($4,193,000) and a decrease in group major medical premiums assumed from IHC ($2,347,000), offset by an increase in individual health premiums written by Independence American ($1,608,000). Premiums relating to DBL decreased $85,000. For 2010, Independence American assumed 10% of IHC's short-term medical business, approximately 9% of certain of IHC's group major medical business, 20% of IHC's DBL business and approximately 20% of IHC's medical stop-loss business. There were no significant changes to these percentages from the prior year.

Fee and Agency Income. Fee and agency income decreased $1,915,000 from 2009 to 2010. Risk Solutions fee income-administration decreased $1,599,000 to $4,493,000 for 2010, compared to $6,092,000 for 2009, as Risk Solutions has decreased its volume of business as a result of market conditions. Risk Solutions fee income-profit commission decreased $102,000 to $919,000 for 2010, compared to $1,021,000 for 2009. Profit commissions for a given year are based primarily on the performance of business written during portions of the three preceding years. Therefore, profit commissions for 2010 are based on business written during portions of 2007, 2008 and 2009. In 2010, income from our Agencies consisted of commission income and other fees of $5,752,000 from IPA, and revenue of $2,261,000 from HIO. In 2009, income from our Agencies consisted of commission income and other fees of $6,772,000 from IPA and revenue of $1,455,000 from HIO.

Net Investment Income. Net investment income decreased $406,000 from 2009 to 2010. The investment yields were 4.0% for 2010 and 4.6% for 2009. The lower yield is due to a decrease in investments in collateralized mortgage obligations and mortgage-backed securities, and an increase in higher rated government sponsored enterprise investments and municipal investments which bear lower interest rates.

Net Realized Investment Gains and Other-Than-Temporary Impairment Losses. The Company recorded a net realized investment loss of $244,000 for 2010, compared to a gain of $275,000 for 2009. The Company recorded realized gains of $1,022,000 on bonds and equity securities offset by an additional loss of $1,266,000 resulting from discussions in the fourth quarter of 2010 with the trustee in bankruptcy pertaining to the resolution of claims related to the non-affiliate broker-dealer that managed the trading accounts of the Company in 2008 (see Note 7 of Notes to Consolidated Financial Statements). The $1,266,000 pre-tax loss consisted of the reversal of $500,000 of anticipated Securities Investor Protection Corporation ("SIPC") recoveries initially recorded in 2008 and $766,000 of withdrawals by AMIC deemed subject to return. A settlement agreement was entered into with the trustee in the first quarter of 2011 and payment by the Company was made in the third quarter of 2011. The Company's decision as to whether to sell securities is based on management's ongoing evaluation of investment opportunities and economic market conditions, thus creating fluctuations in realized gains or losses from period to period. For 2010 and 2009, the Company recorded $179,000 and $0, respectively, of other-than-temporary-impairment losses in earnings. This credit loss was a result of the expected cash flows of debt securities being less than their amortized cost.

Other Income. Other income decreased $168,000 from 2009 to 2010. Included in 2009 is income of $205,000 representing a decrease in the fair value of the derivative liability relating to the agreement with Employers Direct Health, Inc. ("EDH") (see Note 19 of Notes to Consolidated Financial Statements).

Insurance Benefits, Claims and Reserves. Insurance benefits claims and reserves decreased 16%, or $9,432,000 from 2009 to 2010. The decrease is primarily comprised of a decrease in direct group major medical of $5,558,000 due to lower premiums written and improved loss ratios, a decrease in assumed medical stop-loss of $6,160,000 due to lower earned premiums, and a decrease in assumed fully insured of $1,862,000 due to lower premiums written and lower loss ratios, offset by an increase of $4,011,000 in direct medical stop-loss as a result of higher premiums and higher loss ratios.

Selling, General and Administrative. Selling, general and administrative expenses decreased $4,865,000 from 2009 to 2010. This decrease is primarily due to (i) a decrease in commission and brokerage expenses of $3,847,000 incurred by Independence American, which resulted, in large part, from a decrease in assumed medical stop-loss premiums, assumed fully insured premiums, and direct group major medical premiums written, offset slightly by higher profit commission expense and administration fees, and (ii) lower expenses at IndependenceCare of $683,000, primarily due to lower payroll expenses as a result of closing the operation, and lower expenses at IPA of $893,000, primarily due to lower agent commissions and expenses.

Amortization and Depreciation. Amortization and depreciation expense increased $19,000 from 2009 to 2010.

Income Taxes. The provision for income taxes decreased $381,000 to $1,091,000, an effective rate of 34.2%, for 2010, compared to $1,472,000, an effective rate of 36.0%, for 2009. Net income for 2010 and 2009 includes a non-cash provision for federal income taxes of $1,023,000 and $1,311,000, respectively. The state tax effective rate decreased to 1.0% for 2010, compared to 3.1% for 2009. As compared to Risk Solutions, Independence American pays a nominal amount of state income tax; therefore, the Company's state tax effective rate will decrease relative to an increase in Independence American's pre-tax income or a decrease in Risk Solutions' pre-tax income. For as long as AMIC utilizes its NOL carryforwards, it will not pay any income taxes, except for federal alternative minimum taxes and state income taxes.

Net Income attributable to the non-controlling interest. Net income attributable to the non-controlling interest increased $329,000 from 2009 to 2010. The net income for 2010 and 2009 relates to the 49% non-controlling interest in HIO and the 49% non-controlling interest in IPA.

Net Income attributable to American Independence Corp. The net income attributable to the Company decreased to $2,099,000, or $.25 per share, diluted, for 2010, compared to $2,612,000, or $.31 per share, diluted, for 2009.

LIQUIDITY AND CAPITAL RESOURCES

Independence American

Independence American principally derives cash flow from: (i) operations; (ii) the receipt of scheduled principal payments on its portfolio of fixed income securities; and (iii) earnings on investments and other investing activities. Such cash flow is partially used to finance liabilities for insurance policy benefits and reinsurance obligations.

Corporate

Corporate derives cash flow funds principally from: dividends and tax payments from its subsidiaries and investment income from corporate liquidity. The ability of Independence American to pay dividends to its parent company is governed by Delaware insurance laws and regulations; otherwise, there are no regulatory constraints on the ability of any of our subsidiaries to pay dividends to its parent company. For the twelve months ended December 31, 2011, Independence American, Risk Solutions, and our Agencies paid $1,935,000 in dividends and $1,900,000 in tax payments to Corporate.

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

Cash Flows

As of December 31, 2011, the Company had $66,382,000 of cash, cash equivalents, and investments net of amounts due to/from brokers compared with $65,801,000 as of December 31, 2010.

Net cash provided by operating activities for the year ended December 31, 2011 was $3,127,000.

Net cash used by investing activities for the year ended December 31, 2011 was $2,740,000.

At December 31, 2011, the Company had had $7,975,000 of restricted cash at Risk Solutions. This amount is directly offset by corresponding liabilities for Premium and Claim Funds Payable of $7,975,000. This asset, in part, represents the premium that is remitted by the insureds and is collected by Risk Solutions on behalf of the insurance carriers they represent. Each month the premium is remitted to the insurance carriers by Risk Solutions. Until such remittance is made the collected premium is carried as an asset on the balance sheet with a corresponding payable to each insurance carrier. In addition to the premium being held at Risk Solutions, Risk Solutions is in possession of cash to pay claims. The cash is deposited by each insurance carrier into a bank account that Risk Solutions can access to reimburse claims in a timely manner. The cash is used by Risk Solutions to pay claims on behalf of the insurance carriers they represent.

At December 31, 2011, the Company had $21,030,000 of insurance reserves that it expects to pay out of current assets and cash flows from future business. If necessary, the Company could utilize the cash received from maturities and repayments of its fixed maturity investments if the timing of claim payments associated with the Company's insurance resources does not coincide with future cash flows.

The chart below reflects the maturity distribution of AMIC's contractual obligations at December 31, 2011 (in thousands):

	Net Operating Leases	Insurance Reserves	Total
2012	$ 105	$ 20,495	$ 20,600
2013	100	98	198
2014	65	87	152
2015	60	63	123
2016	31	46	77
2017 and thereafter	-	241	241
Total	$ 361	$ 21,030	$ 21,391

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

BALANCE SHEET

Total investments, net of amounts due to/from brokers, increased $1,447,000 to $64,634,000 at December 31, 2011 from $63,187,000 at December 31, 2010, primarily due to the purchase of additional fixed maturity securities and an increase in unrealized gains on fixed maturity securities, offset by sales of repurchase agreements.

The Company had receivables from reinsurers of $7,368,000 at December 31, 2011. Substantially all of the business ceded to such reinsurers is of short duration. All of such receivables are either due from related parties, highly rated companies or are adequately secured. No allowance for doubtful accounts was deemed necessary at December 31, 2011.

The Company's insurance reserves by line of business are as follows (in thousands):

	Total Insurance Reserves	
	December 31, 2011	December 31, 2010
Medical Stop-Loss	$ 14,165	$ 15,089
Fully Insured Health	6,259	6,272
DBL	606	648
	$ 21,030	$ 22,009

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

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

The primary assumption in the determination of fully insured reserves is that historical claim development patterns tend to be representative of future claim development patterns. Factors which may affect this assumption include changes in claim payment processing times and procedures, changes in product design, changes in time delay in submission of claims, and the incidence of unusually large claims. The reserving analysis includes a review of claim processing statistical measures and large claim early notifications; the potential impacts of any changes in these factors are minimal. The time delay in submission of claims tends to be stable over time and not subject to significant volatility. Since our analysis considered a variety of outcomes related to these factors, the Company does not believe that any reasonably likely change in these factors will have a material effect on the Company’s financial condition, results of operations, or liquidity.

The $1,929,000 increase in AMIC’s stockholders' equity is primarily due to net income of $2,494,000, an increase of $1,175,000 in net unrealized gains on investments, offset by an increase in treasury stock of $1,131,000 due to share repurchases.

Asset Quality and Investment Impairments

The nature and quality of insurance company investments must comply with all applicable statutes and regulations, which have been promulgated primarily for the protection of policyholders. The Company's gross unrealized gains on available-for-sale securities totaled $1,828,000 at December 31, 2011. Approximately 98.6% of the Company’s fixed maturities were investment grade and continue to be rated on average AA. The Company marks all of its available-for-sale securities to fair value through accumulated other comprehensive income or loss. Higher grade investments tend to carry less default risk and, therefore, lower interest rates than other types of fixed maturity investments. At December 31, 2011, approximately 1.4% (or $766,000) of the carrying value of fixed maturities was invested in non-investment grade fixed maturities (primarily mortgage securities) (investments in such securities have different risks than investment grade securities, including greater risk of loss upon default, and thinner trading markets). The Company does not have any non-performing fixed maturity investments at December 31, 2011.

At December 31, 2011, the Company had $732,000 invested in whole loan CMOs backed by Alt-A mortgages. Of this amount, 68.1% were in CMOs that originated in 2005 or earlier and 31.9% were in CMOs that originated in 2006 or later. The Company’s mortgage security portfolio has no direct exposure to sub-prime mortgages.

Approximately 2.6% of fixed maturities, primarily municipal obligations, in our investment portfolio are insured by financial guaranty insurance companies. The purpose of this insurance is to increase the credit quality of the fixed maturities and their credit ratings. If the obligations of these financial guarantors ceased to be valuable, either through a credit rating downgrade or default, these debt securities would likely receive lower credit ratings by the rating agencies that would reflect the creditworthiness of the various obligors as if the fixed maturities were uninsured. The following table summarizes the credit quality of our fixed maturity portfolio as rated, and as rated if the fixed maturities were uninsured, at December 31, 2011:

Bond Ratings	**As Rated %**	**If Uninsured %**
AAA	16.2%	16.2%
AA	56.8%	54.3%
A	24.0%	26.5%
BBB	1.5%	1.5%
Total Investment Grade	98.5%	98.5%
BB or lower	1.5%	1.5%
Total Fixed Maturities	100%	100%

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

The Company reviews its investments regularly and monitors its investments continually for impairments as discussed in Note 2 (H) (vi) of the Notes to Consolidated Financial Statements. For the years ended December 31, 2011 and 2010, the Company recorded losses of $130,000 and $179,000, respectively, for other-than-temporary impairments. Of those impairment losses, $89,000 and $179,000 were recognized in earnings for the years ended December 31, 2011 and 2010, respectively. In 2011, $41,000 of impairment losses were recognized in other comprehensive income. The following table summarizes the carrying value of securities with fair values less than 80% of their amortized cost at December 31, 2011 by the length of time the fair values of those securities were below 80% of their amortized cost (in thousands):

	Less than 3 months	Greater than 3 months, less than 6 months	Greater than 6 months, less than 12 months	Greater than 12 months	Total
Fixed maturities	$ -	$ -	$ -	$ 364	$ 364
Total	$ -	$ -	$ -	$ 364	$ 364

The unrealized losses on all available-for-sale securities have been evaluated in accordance with the Company's impairment policy and were determined to be temporary in nature at December 31, 2011. In 2011, the Company experienced an increase in net unrealized gains of $1,175,000 (including $41,000 of other-than-temporary impairment losses recorded in other comprehensive income during the year) which increased stockholders' equity by $1,175,000 (reflecting net unrealized gains of $1,278,000 at December 31, 2011 compared to net unrealized gains of $103,000 at December 31, 2010). From time to time, as warranted, the Company may employ investment strategies to mitigate interest rate and other market exposures. Further deterioration in credit quality of the companies backing the securities, further deterioration in the condition of the financial services industry, a continuation of the current imbalances in liquidity that exist in the marketplace, a continuation or worsening of the current economic recession, or additional declines in real estate values may further affect the fair value of these securities and increase the potential that certain unrealized losses be designated as other-than-temporary in future periods and the Company may incur additional write-downs.

Goodwill

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

The Company performed its annual test at December 31, 2011 and determined that goodwill was not impaired. No impairment charge was required for 2011 as fair value exceeded carrying value by more than 20%. Any impairment write-down of goodwill would be charged to expense. See Note 3 of Notes to Consolidated Financial Statements.

In determining the fair value of the Company, we used an income approach, applying a discounted cash flow method which included a residual value. Based on historical experience, we made assumptions as to: (i) expected future performance and future economic conditions, (ii) projected operating earnings, (iii) projected new and renewal business as well as profit margins on such business, and (iv) a discount rate that incorporated an appropriate risk level for the Company.

Management uses a significant amount of judgment in estimating the fair value of the Company. The key assumptions underlying the fair value process are subject to uncertainty and change. The following represent some of the potential risks that could impact these assumptions and the related expected future cash flows: (i) increased competition; (ii) an adverse change in the insurance industry and overall business climate; (iii) changes in state and federal regulations; (iv) rating agency downgrades of our insurance companies; and (v) a sustained and significant decrease in our share price and market capitalization. At December 31, 2011, the Company's market capitalization was less than its book value indicating a potential impairment of goodwill. As a result, the Company assessed the factors contributing to the performance of AMIC stock in 2011, and concluded that the market capitalization does not represent the fair value of the Company. The Company noted several factors that have led to a difference between the market capitalization and the fair value of the Company, including (i) the Company's stock is thinly traded and a sale of even a small number of shares can have a large percentage impact on the price of the stock, (ii) IHC and insiders own over 78% of the outstanding shares, which has had a significant adverse impact on the number of shares available for sale and therefore the trading potential of AMIC stock, and (iii) lack of analyst coverage of the Company. The Company will continue to monitor AMIC's book value against market capitalization to determine whether an interim test of goodwill is warranted. If we experience a sustained decline in our results of operations and cash flows, or other indicators of impairment exist, we may incur a material non-cash charge to earnings relating to impairment of our goodwill, which could have a material adverse effect on our results.

CAPITAL RESOURCES

As Independence American's total adjusted capital was significantly in excess of the authorized control level risk-based capital, the Company remains well positioned to increase or diversify its current activities. It is anticipated that future acquisitions or other expansion of operations will be funded internally from existing capital and surplus and parent company liquidity. In the event additional funds are required, it is expected that they would be borrowed or raised in the public or private capital markets to the extent determined to be necessary or desirable.

OUTLOOK

Independence American

Independence American, which is domiciled in Delaware, is licensed to write property and/or casualty insurance in 49 states and the District of Columbia, and has an A- (Excellent) rating from A.M. Best Company, Inc. ("A.M. Best"). An A.M. Best rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial condition and operating performance, and is also based upon factors relevant to policyholders, agents, and intermediaries, and is not directed towards protection of investors. A.M. Best ratings are not recommendations to buy, sell or hold securities of the Company.

Since its acquisition by AMIC in 2002, the majority of Independence American's revenue has been from reinsurance premiums. The portion of our revenue attributable to reinsurance premiums will decrease as we increase the amount of business written by Independence American. During 2011, Independence American wrote group major medical, medical stop-loss, major medical plans for individuals and families, a small amount of short-term medical and dental. Given its A- (Excellent) rating from A.M. Best, Independence American expects to expand the distribution of its products. With respect to major medical plans for individuals and families, the acquisition of a controlling interest in IPA in 2008 has meaningfully increased the amount of this line of business written by Independence American. Independence American expects annualized pet insurance premium of about $6 million in 2012, ramping up to around $20 million of annualized premium by the end of 2013, depending on state product approvals. Independence American and Pets Best have entered into a multi-year agreement.

IHC Treaties

With respect to the IHC Treaties, the Company's operating results are affected by the following factors: (i) the percentage of business ceded to Independence American pursuant to the IHC Treaties; (ii) the amount of gross premium written by Standard Security Life or Madison National Life that is ceded to the IHC Treaties; and (iii) the amount of gross premium produced by the MGUs and other distribution sources written by carriers other than Standard Security Life or Madison National Life that is ceded to Independence American. The profitability of the business ceded will also impact our operating results. Independence American assumes medical stop-loss, fully insured health and DBL premiums from IHC under the IHC Treaties.

Percentage of Business Ceded

In 2012 and beyond, the percentage of medical stop-loss ceded to Independence American will depend on how much IHC determines it has available to reinsure and Independence American's desire to reinsure IHC's business. Since the percentage being ceded is now well in excess of the contractual minimum, there is no guarantee that IHC will continue to increase the percentage of business ceded to Independence American or, in fact, cede in excess of 15%. However, Risk Solutions is a significant producer of medical stop-loss business for IHC.

If Independence American, Standard Security Life, and Madison National Life had agreed to increase the average percentage ceded to Independence American by 1% (from approximately 20% ceded for the twelve months ended December 31, 2011) and Standard Security Life's and Madison National Life's gross written premium had remained unchanged, Independence American's premium would have increased by approximately $1.0 million, which is approximately 1.4% of total net premiums earned for the year ended December 31, 2011. That increase in premium, however, would not have flowed directly to pre-tax operating income because of corresponding changes in insurance benefits, claims and reserves and other expenses attributable to the increase in premiums. The Company does not expect the percentage ceded to it from IHC will change significantly in the next twelve months.

Independence American reinsures 20% of Standard Security Life's DBL product. Standard Security Life is not contractually obligated to continue to cede this business to Independence American after termination of the current treaty year. Standard Security Life and Madison National Life ceded approximately 9% of their fully insured health business to Independence American. Standard Security Life and Madison National Life are not contractually obligated to continue to cede this business to Independence American after termination of the current treaty years.

Amount of Premiums Written

The gross medical stop-loss premiums written by IHC decreased in 2011 by approximately 8% and such premiums produced by Risk Solutions decreased by approximately 2% in 2011 as a result of termination of unprofitable programs. This resulted in a decrease in the gross amount of premium available to be ceded to Independence American in 2011. Risk Solutions anticipates increasing its production of medical stop-loss business in 2012. Therefore, Independence American anticipates reinsuring a higher amount of medical-stop loss premium ceded by IHC in 2012. IHC has reported that it expects its fully insured premiums to increase slightly and its DBL premiums to remain steady in 2012.

Profitability

The medical stop-loss market is generally cyclical in nature. When a product experiences several consecutive years of underwriting profitability, it is not unusual for there to be more competitors entering that line, which can increase pressure on pricing and create a "softer" market. The medical stop-loss market began to "soften" in 2003 and less favorable conditions continued through 2010. These conditions put downwards pressure on market pricing levels and the carriers that cede business to the Company were forced to pare back their top line premium revenues in order to maintain a minimum level of profitability. Starting in 2011 and continuing into early 2012, there were some signs of the beginning of the market "hardening" as further MGU consolidations took place and direct writers began to reflect unfavorable past results in their pricing levels. These changes, along with the transition of IHC Risk Solutions to a direct writing model, allowed higher renewal increases than in past years and better new business pricing, all of which results in an improving level of profitability.

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

Marketing Agreement

In 2007, Independent Producers of America, LLC ("IPA"), a national career-agent marketing organization, began marketing health plans to individuals and families utilizing Independence American as the carrier. Gross premiums of $13,114,000 and $14,122,000 were written under this program in 2011 and 2010, respectively. The program is administered by IHC Health Solutions, LLC, a wholly owned subsidiary of IHC. AMIC purchased a 51% interest in IPA in April 2008 and increased its interest to 79% in September 2011. On December 31, 2011, the Company acquired an additional 10.6% ownership interest in IPA from non-controlling interests, thereby increasing its ownership in IPA to 89.6%. See Note 20 of Notes to Consolidated Financial Statements.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

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

The following summarizes the estimated pre-tax change in fair value (based upon hypothetical parallel shifts in the U.S. Treasury yield curve) of the fixed income portfolio assuming immediate changes in interest rates at specified levels at December 31, 2011:

	Change in Interest Rates				
	200 basis point rise	100 basis point rise	Base scenario	100 basis point decline	200 basis point decline
Corporate securities	$ 28,156	$ 29,290	$ 30,475	$ 31,496	$ 31,938
CMO	1,959	2,028	2,103	2,171	2,222
U.S. Government obligations	5,960	6,123	6,291	6,357	6,357
Agency MBS	201	207	212	215	216
GSE	7,557	8,221	8,983	9,861	10,872
State & Political Subdivisions	8,648	8,995	9,367	9,684	9,822
Total Estimated fair value	$ 52,481	$ 54,864	$ 57,431	$ 59,784	$ 61,427
Estimated change in value	$ (4,950)	$ (2,567)		$ 2,353	$ 3,996

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

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

In the Company's analysis of the asset-liability model, a 100 to 200 basis point change in interest rates on the Company's liabilities would not be expected to have a material adverse effect on the Company. With respect to its investments, the Company employs (from time to time as warranted) investment strategies to mitigate interest rate and other market exposures.

Item 8. ***Financial Statements and Supplementary Data***

AMERICAN INDEPENDENCE CORP. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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

Report of Management on Internal Control Over Financial Reporting

The Board of Directors and Stockholders
American Independence Corp.

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

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

Management assessed the effectiveness of AMIC's internal control over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control –Integrated Framework*. Based on our assessment we concluded that, as of December 31, 2011, AMIC's internal control over financial reporting is effective.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
American Independence Corp.:

We have audited the accompanying consolidated balance sheets of American Independence Corp. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2011. In connection with our audits of the consolidated financial statements, we have also audited financial statement schedules I to III and V. These consolidated financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Independence Corp. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011 in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

New York, New York

March 15, 2012

American Independence Corp. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share data)

	December 31, 2011	December 31, 2010
ASSETS:		
Investments:		
Securities purchased under agreements to resell	$ 2,679	$ 6,716
Fixed maturities available-for-sale, at fair value	57,431	53,736
Equity securities available-for-sale, at fair value	4,231	3,997
Total investments	64,341	64,449
Cash and cash equivalents	1,748	2,614
Restricted cash ($5,284 and $2,562, respectively, restricted by related parties)	7,975	4,194
Accrued investment income	654	429
Premiums receivable ($2,884 and $4,157, respectively, due from related parties)	7,461	10,065
Net deferred tax asset	8,992	10,250
Due from reinsurers ($3,204 and $2,311, respectively, due from related parties)	7,368	6,166
Goodwill	23,561	23,561
Intangible assets	906	1,689
Accrued fee income ($1,000 and $541, respectively, due from related parties)	582	1,233
Due from securities brokers	296	65
Other assets ($5 and $0, respectively, due from related parties)	8,896	5,161
TOTAL ASSETS	$ 132,780	$ 129,876
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Insurance reserves ($8,998 and $10,451, respectively, due to related parties)	$ 21,030	$ 22,009
Premium and claim funds payable ($5,284 and $2,562, respectively, due to related parties)	7,975	4,194
Commission payable ($1,667 and $2,404, respectively, due to related parties)	3,020	4,181
Accounts payable, accruals and other liabilities ($687 and $357, respectively, due to related parties)	3,858	3,557
State income taxes payable	481	351
Due to securities brokers	3	1,327
Due to reinsurers ($729 and $162, respectively, due to related parties)	2,424	2,080
Total liabilities	38,791	37,699
STOCKHOLDERS' EQUITY:		
American Independence Corp. stockholders' equity:		
Preferred stock, $0.10 par value, 1,000 shares designated; no shares issued and outstanding	-	-
Common stock, $0.01 par value, 15,000,000 shares authorized; 9,181,793 shares issued, respectively; 8,272,332 and 8,508,591 shares outstanding, respectively	92	92
Additional paid-in capital	479,418	479,910
Accumulated other comprehensive income (loss)	1,278	103
Treasury stock, at cost, 909,461 shares and 673,202 shares, respectively	(9,107)	(7,976)
Accumulated deficit	(377,692)	(380,069)
Total American Independence Corp. stockholders' equity	93,989	92,060
Non-controlling interest in subsidiaries	-	117
Total equity	93,989	92,177
TOTAL LIABILITIES AND EQUITY	$ 132,780	$ 129,876

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended December 31, 2011	2010	2009
REVENUES:			
Premiums earned ($36,350, $34,299 and $45,519, respectively, from related parties)	$ 72,448	$ 73,859	$ 85,515
Fee and agency income ($4,764, $4,904 and $5,272, respectively, from related parties)	12,647	13,425	15,340
Net investment income	2,189	2,518	2,924
Net realized investment gains (loss)	520	(244)	275
Total other-than-temporary impairment losses	(130)	(179)	-
Portion of losses recognized in other comprehensive income	41	-	-
Net impairment losses recognized in earnings	(89)	(179)	-
Other income	323	25	193
	88,038	89,404	104,247
EXPENSES:			
Insurance benefits, claims and reserves ($19,609, $22,982 and $31,009, respectively, from related parties)	47,768	50,226	59,658
Selling, general and administrative expenses ($11,914, $11,825 and $14,825, respectively, from related parties)	34,924	34,244	39,109
Amortization and depreciation	855	861	842
	83,547	85,331	99,609
Income before income tax	4,491	4,073	4,638
Provision for income taxes	1,307	1,091	1,472
Net income	3,184	2,982	3,166
Less: Net income attributable to the non-controlling interest	(690)	(883)	(554)
Net income attributable to American Independence Corp.	$ 2,494	$ 2,099	$ 2,612
Basic income per common share:			
Basic income per common share attributable to American Independence Corp. common stockholders	$ .29	$ .25	$ .31
Weighted-average shares outstanding	8,497	8,509	8,505
Diluted income per common share:			
Diluted income per common share attributable to American Independence Corp. common stockholders	$ .29	$ .25	$ .31
Weighted-average diluted shares outstanding	8,497	8,509	8,505

See accompanying Notes to Consolidated Financial Statements.

American Independence Corp. and Subsidiaries
Consolidated Statements of Changes In Stockholders' Equity
Years Ended December 31, 2009, 2010 and 2011
(In thousands)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK, AT COST	ACCUMULATED DEFICIT	TOTAL AMIC STOCKHOLDERS' EQUITY	NON-CONTROLLING INTERESTS IN SUBSIDIARIES	TOTAL EQUITY
BALANCE AT DECEMBER 31, 2008	$ 92	$ 479,783	$ (4,057)	$ (8,112)	$ (384,774)	$ 82,932	$ 429	$ 83,361
Net income					2,612	2,612	554	3,166
Net change in unrealized gains (losses) on certain available-for-sale securities			3,330			3,330	-	3,330
Total comprehensive income						5,942	554	6,496
Cumulative effect of adjustment on April 1, 2009 due to adoption of new accounting guidance, net of tax			(99)		99	-	-	-
Dividends paid to non-controlling interest							(697)	(697)
Other stock issuances		(18)		30	(12)	-	-	-
Share-based compensation expense		99				99	-	99
BALANCE AT DECEMBER 31, 2009	92	479,864	(826)	(8,082)	(382,075)	88,973	286	89,259
Net income					2,099	2,099	883	2,982
Net change in unrealized gains (losses) on certain available-for-sale securities			929			929	-	929
Total comprehensive income						3,028	883	3,911
Exercise of stock options				120	(75)	45	-	45
Repurchase of common stock				(60)		(60)	-	(60)
Dividends paid to non-controlling interest						-	(1,052)	(1,052)
Other stock issuances		(28)		46	(18)	-	-	-
Share-based compensation expense		74				74	-	74
BALANCE AT DECEMBER 31, 2010	92	479,910	103	(7,976)	(380,069)	92,060	117	92,177
Net income					2,494	2,494	690	3,184
Net change in unrealized gains (losses) on certain available-for-sale securities			1,175			1,175	-	1,175
Total comprehensive income						3,669	690	4,359
Exercise of stock options				161	(104)	57		57
Repurchase of common stock				(1,310)		(1,310)		(1,310)
Other stock issuances		(10)		18	(8)	-	-	-
Dividends paid to non-controlling interest							(812)	(812)
Other		(525)			(5)	(530)	5	(525)
Share-based compensation expense		43				43	-	43
BALANCE AT DECEMBER 31, 2011	$ 92	479,418	$ 1,278	$ (9,107)	$ (377,692)	$ 93,989	$ -	$ 93,989

See accompanying Notes to Consolidated Financial Statements.

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

	Year Ended December 31,		
	2011	**2010**	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 3,184	$ 2,982	$ 3,166
Adjustments to reconcile net income to net change in cash from operating activities:			
Net realized investment (gains) losses	(520)	244	(275)
Other-than-temporary impairment losses	89	179	-
Amortization and depreciation	855	861	842
Equity loss (gain)	(9)	45	29
Deferred tax expense	1,389	1,154	1,438
Non-cash stock compensation expense	43	74	99
Change in operating assets and liabilities:			
Change in insurance reserves	(979)	(4,100)	(3,481)
Change in net amounts due from and to reinsurers	(858)	2,068	37
Change in accrued fee income	651	(429)	151
Change in claims fund	(1,213)	(242)	(440)
Change in commissions payable	(1,161)	253	336
Change in premiums receivable	2,604	475	(969)
Change in income taxes	(91)	(102)	(23)
Change in other assets and other liabilities	(857)	17	(390)
Net cash provided by operating activities of continuing operations	3,127	3,479	520
Net cash used by operating activities of discontinued operations	-	(93)	(260)
Net cash provided by operating activities	3,127	3,386	260
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in net amount due from and to securities brokers	(1,555)	453	809
Change in securities under resale and repurchase agreements	4,037	(4,139)	1,340
Sales of and principal repayments on fixed maturities	30,942	39,396	27,226
Maturities and other repayments of fixed maturities	3,827	8,329	8,838
Purchases of fixed maturities	(37,036)	(50,380)	(37,219)
Sales of equity securities	9,579	8,239	607
Purchases of equity securities	(10,009)	(6,728)	(2,189)
Change in loan receivable	(2,000)	-	-
IPA acquisition of non-controlling interest	(525)	-	-
Net cash used by investing activities	(2,740)	(4,830)	(588)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	57	45	-
Repurchase of common stock	(1,310)	(60)	-
Net cash used by financing activities	(1,253)	(15)	-
Decrease in cash and cash equivalents	(866)	(1,459)	(328)
Cash and cash equivalents, beginning of period	2,614	4,073	4,401
Cash and cash equivalents, end of period	$ 1,748	$ 2,614	$ 4,073
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during period for:			
Income taxes	$ 7	$ 9	$ 28

See accompanying Notes to Consolidated Financial Statements.

American Independence Corp. and Subsidiaries
Notes to Consolidated Financial Statements

1. Nature of Business

American Independence Corp. is a Delaware corporation (NASDAQ: AMIC). We are a holding company principally engaged in the insurance and reinsurance business through: a) our wholly owned insurance company, Independence American Insurance Company ("Independence American"); b) our full service direct writer of medical stop-loss insurance for self-insured employer groups, IHC Risk Solutions, LLC ("Risk Solutions"); c) our 23% investment in Majestic Underwriters LLC ("Majestic"); d) our 51% ownership in HealthInsurance.org, LLC ("HIO"), an insurance and marketing agency; and e) our 89.6% ownership in Independent Producers of America, LLC ("IPA"), a national career agent marketing organization. After the end of the first quarter of 2011, the Company consolidated its wholly owned subsidiaries, IHC Risk Solutions – RAS (formerly known as Risk Assessment Strategies, Inc. ("RAS")), IHC Risk Solutions – IIG ("IIG"), and IHC Risk Solutions, Inc. ("RSI"), formerly known as Excess Claims Administrators, Inc into IHC Risk Solutions – Marlton (formerly known as Marlton Risk Group LLC ("Marlton")) and changed the name of the merged entity to IHC Risk Solutions, LLC ("Risk Solutions").

As used in this report, unless otherwise required by the context, AMIC and its subsidiaries are sometimes collectively referred to as the "Company" or "AMIC", or are implicit in the terms "we", "us" and "our".

Since November 2002, AMIC has been affiliated with Independence Holding Company ("IHC"), an insurance holding company, which owned 78.5% of AMIC's stock as of December 31, 2011. The senior management of IHC provides direction to the Company through a service agreement between the Company and IHC. IHC has also entered into long-term reinsurance treaties through its wholly owned subsidiaries, Standard Security Life Insurance Company of New York ("Standard Security Life") and Madison National Life Insurance Company, Inc. ("Madison National Life"), whereby the Company assumes reinsurance premiums from the following lines of business: medical stop-loss, New York statutory disability ("DBL"), short-term medical and group major medical.

2. Summary of Significant Accounting Policies

(A) Principles of Consolidation and Presentation of Financial Statements

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and include the accounts of AMIC and its consolidated subsidiaries. All intercompany transactions have been eliminated in consolidation. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect: (i) the reported amounts of assets and liabilities; (ii) the disclosure of contingent assets and liabilities at the date of the financial statements; and (iii) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(B) Reclassifications

Certain amounts in prior years' Consolidated Financial Statements and Notes thereto have been reclassified to conform to the 2011 presentation.

(C) Investment in Majestic Underwriters LLC

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

(D) Goodwill and Other Intangibles

Goodwill and intangible assets with indefinite lives, which consist of licenses, are not amortized but are evaluated for impairment in the aggregate at the end of the fourth quarter of each year, or more frequently if indicators arise. If the fair value of the Company is less than its carrying amount (including goodwill), further evaluation is required to determine if a write-down of goodwill is required. In determining the fair value of the Company, the Company used an income approach, applying a discounted cash flow method which included a residual value. Based on historical experience, we made assumptions as to: (i) expected future performance and future economic conditions, (ii) projected operating earnings, (iii) projected new and renewal business as well as profit margins on such business, and (iv) a discount rate that incorporated an appropriate risk level for the Company. Any impairment write-down of goodwill would be charged to expense. No impairment charge was required in 2011 or 2010.

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

(E) Cash, Cash Equivalents and Restricted Cash

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

(F) Short-Term Investments

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

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

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

(H) Investment Securities

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

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

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

(ii) Financial instruments sold, but not yet purchased, represent obligations to replace borrowed securities that have been sold. Such transactions occur in anticipation of declines in the fair value of the securities. The Company's risk is an increase in the fair value of the securities sold in excess of the consideration received, but that risk is mitigated as a result of relationships to certain securities owned. Unrealized gains or losses on open transactions are credited or charged, as appropriate, to net realized investment gains in the Consolidated Statements of Operations. While the transaction is open, the Company will also incur an expense for any accrued dividends or interest payable to the lender of the securities. When the transaction is closed, the Company realizes a gain or loss in an amount equal to the difference between the price at which the securities were sold and the cost of replacing the borrowed securities. There were no such transactions outstanding at December 31, 2011 and 2010.

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

(iv) The Company enters into derivative transactions, such as put and call option contracts and options on interest rate futures contracts, to minimize losses on portions of the Company's fixed income portfolio in a rapidly changing interest rate environment. Equity index options are entered into to offset price fluctuations in the equity markets. These derivative financial instruments are all readily marketable and are carried on the Consolidated Balance Sheets at their current fair value with changes in fair value (unrealized gains or losses), credited or charged, as appropriate, to net realized investment gains in the Consolidated Statements of Operations. All realized gains and losses are reflected currently in the Consolidated Statements of Operations. Gains on these instruments were $0, $0 and $205,000 during 2011, 2010 and 2009, respectively. There were no such derivative transactions outstanding at December 31, 2011, 2010 and 2009.

(v) Fair value is determined using quoted market prices when available. In some cases, we use quoted market prices for similar instruments in active markets and/or model-derived valuations where inputs are observable in active markets. When there are limited or inactive trading markets, we use industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on management assumptions and available current market information. Further, we retain independent pricing vendors to assist in valuing certain instruments, primarily all the securities in our portfolio classified in Level 2 or Level 3 in the Fair Value Hierarchy.

The Company periodically reviews and assesses the vendor's qualifications and the design and appropriateness of its pricing methodologies. Management will on occasion challenge pricing information on certain individual securities and, through communications with the vendor, obtain information about the assumptions, inputs and methodologies used in pricing those securities, and corroborate it against documented pricing methodologies. Validation procedures are in place to determine completeness and accuracy of pricing information, including, but not limited to: (i) review of exception reports that (a) identify any zero or un-priced securities; (b) identify securities with no price change; and (c) identify securities with significant price changes; (ii) performance of trend analyses; (iii) periodic comparison of pricing to alternative pricing sources; and (iv) comparison of pricing changes to expectations based on rating changes, benchmarks or control groups. In certain circumstances, pricing is unavailable from the vendor and broker pricing information is used to determine fair value. In these instances, management will assess the quality of the data sources, the underlying assumptions and the reasonableness of the broker quotes based on the current market information available. To determine if an exception represents an error, management will often have to exercise judgment. Procedures to resolve an exception vary depending on the significance of the security and its related class, the frequency of the exception, the risk of material misstatement, and the availability of information for the security. These procedures include, but are not limited to; (i) a price challenge process with the vendor; (ii) pricing from a different vendor; (iii) a reasonableness review; (iv) a change in price based on better information, such as an actual market trade, among other things. Management considers all facts and relevant information obtained during the above procedures to determine the proper classification of each security in the Fair Value Hierarchy.

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

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

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

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

(I) Fixed Assets

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

(J) Premium, Fee, and Agency Income Revenue Recognition

Direct and assumed premiums from short-duration contracts are recognized as revenue over the period of the contracts in proportion to the amount of insurance protection provided. The Company records fee income as policy premium payments are earned. Risk Solutions is compensated in two ways. It earns fee income based on the volume of business produced, and collects profit-sharing commissions if such business exceeds certain profitability benchmarks. Profit-sharing commissions are accounted for beginning in the period in which the Company believes they are reasonably estimable, which is typically at the point that claims have developed to a level where recent claim development history ("Claim Development Patterns") can be applied to generate reasonably reliable estimates of ultimate claim levels. Profit-sharing commissions are a function of Risk Solutions attaining certain profitability thresholds and could greatly vary from quarter to quarter. Agency income consists of commissions, fees and lead revenue earned by our Agencies.

Fee and agency income consisted of the following:

	Year Ended December 31,		
	2011	2010	2009
		(In thousands)	
Agency Income	$ 7,026	$ 8,013	$ 8,227
Fee income - administration	4,950	4,493	6,092
Fee income - profit commissions	671	919	1,021
	$ 12,647	$ 13,425	$ 15,340

(K) Insurance Reserves

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

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

Medical Stop-Loss

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

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

Projected Net Loss Ratio

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

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

Claim Development Patterns

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

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

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

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

Fully Insured Health

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

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

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

Management believes that the Company's methods of estimating the liabilities for insurance reserves provided appropriate levels of reserves at December 31, 2011 and December 31, 2010. Changes in the Company's reserve estimates are recorded through a charge or credit to its earnings in the period in which they arise.

(L) Reinsurance

Amounts recoverable or paid for under reinsurance contracts are included in total assets or total liabilities as due from reinsurers or due to reinsurers. In 2011, Independence American derived a significant amount of its business from pro rata quota share reinsurance treaties with Standard Security Life and Madison National Life, which are wholly owned subsidiaries of IHC.

(M) Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets where it is more likely than not that the deferred tax asset will not be realized (see Note 14 of Notes to Consolidated Financial Statements).

(N) Income Per Common Share

Basic income per common share is computed using the weighted average number of common stock shares outstanding during the period. Diluted income per common share is computed using the weighted average number of common stock shares and common stock equivalent shares outstanding during the period. Common stock equivalents consist of stock options and restricted stock (using the "treasury stock" method). Common stock equivalent shares are excluded from the computation if the effect is anti-dilutive. As a result of the anti-dilutive effect, common stock equivalent shares have been excluded from the computation of diluted earnings per share for periods presented with a net loss. For the years ended December 31, 2011, 2010 and 2009 such shares were deemed anti-dilutive. Net income does not change as a result of the assumed dilution.

(O) Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In December 2010, the Financial Accounting Standards Board ("FASB") issued guidance that amends existing goodwill impairment test guidance to include a requirement that entities perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts if it is more likely than not that an impairment exists. This guidance was effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this guidance, effective January 1, 2011, did not have a material effect on the Company's consolidated financial statements.

In December 2010, the FASB issued guidance that clarifies the existing requirements for pro forma revenue and earnings disclosures, and expands the supplemental pro forma revenue and earnings disclosures, for public companies that have completed business acquisitions. The amendments in this guidance were effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this guidance, effective January 1, 2011, did not have a material effect on the Company's consolidated financial statements.

In January 2010, the FASB issued standards requiring entities to provide the activity of Level 3 security purchases, sales, issuances, and settlements on a gross basis, which were be effective for fiscal years beginning after December 15, 2010. 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 December 2011, the FASB issued guidance to amend the disclosure requirements on offsetting financial instruments and related derivatives. Entities are required to provide both net and gross information for these assets and liabilities in order to enhance comparability between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards ("IFRS"). The amendments in this Update are effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In September 2011, the FASB issued guidance related to evaluating goodwill for impairment. The new guidance provides entities with the option to perform a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before applying the quantitative two-step goodwill impairment test. If an entity concludes that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not be required to perform the quantitative two-step goodwill impairment test. Entities also have the option to bypass the assessment of qualitative factors for any reporting unit in any period and proceed directly to performing the first step of the quantitative two-step goodwill impairment test, as was required prior to the issuance of this new guidance. An entity may begin or resume performing the qualitative assessment in any subsequent period. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In July 2011, the FASB issued guidance specifying that the liability for the fees paid to the Federal Government by health insurers as a result of recent healthcare reform legislation should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense using a straight-line method of allocation unless another method better allocates the fee over the calendar year that it is payable. The amendments in this Update are effective for calendar years beginning after December 31, 2013, when the fee initially becomes effective. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In June and December 2011, the FASB issued guidance that requires all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. For public entities, the amendments are effective for fiscal years and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In May 2011, the FASB issued guidance to achieve common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. Some of the amendments in this update clarify the FASB's intent about the application of certain existing fair value measurement requirements and other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. None of the amendments in this update require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. For public entities, this guidance is effective during interim and annual periods beginning after December 15, 2011. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In April 2011, the FASB issued guidance that amends existing standards with regards to transfers of financial assets under repurchase and other agreements that entitle and obligate the transferor to repurchase or redeem the assets prior to maturity. Specifically, with respect to assessing effective control in such agreements, the criteria that the transferor must have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even upon the transferee's default, has been eliminated; as has the corresponding criterion calling for the transferor to have obtained cash or other sufficient collateral to purchase replacement assets from a third party, which was required to demonstrate such ability. This guidance is effective for the first interim or annual period beginning after December 15, 2011. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In October 2010, the FASB issued guidance that specifies the accounting treatment for the costs incurred by insurance entities when acquiring new and renewal insurance contracts. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 and should be applied prospectively upon adoption. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

3. Goodwill

The Company recorded goodwill of $23,561,000 for the years ended December 31, 2011 and 2010.

The Company performed its annual test at December 31, 2011 and determined that goodwill was not impaired.

At December 31, 2011, the Company's market capitalization was less than its book value indicating a potential impairment of goodwill. As a result, the Company assessed the factors contributing to the performance of AMIC stock in 2011, and concluded that the market capitalization does not represent the fair value of the Company. The Company noted several factors that have led to a difference between the market capitalization and the fair value of the Company, including (i) the Company's stock is thinly traded and a sale of even a small number of shares can have a large percentage impact on the price of the stock, (ii) IHC and insiders own over 78% of the outstanding shares, which has had a significant adverse impact on the number of shares available for sale and therefore the trading potential of AMIC stock, and (iii) lack of analyst coverage of the Company. The Company will continue to monitor AMIC's book value against market capitalization to determine whether an interim test of goodwill is warranted. If the Company experiences a sustained decline in its results of operations and cash flows, or other indicators of impairment exist, the Company may incur a material non-cash charge to earnings relating to impairment of our goodwill, which could have a material adverse effect on our results.

4. *Intangible Assets*

Intangible assets at December 31, 2011 and 2010 consist of the following (in thousands):

	December 31, 2011			December 31, 2010		
	Definitive Lives (a)	Indefinite Lives	Total	Definitive Lives	Indefinite Lives	Total
Gross Carrying Value						
Balance beginning of period	$ 9,373	$ 100	$ 9,473	$ 9,373	$ 100	$ 9,473
Additions	-	-	-	-	-	-
Balance end of period	9,373	100	9,473	9,373	100	9,473
Accumulated Amortization						
Balance beginning of period	(7,784)	-	(7,784)	(7,000)	-	(7,000)
Amortization expense	(783)	-	(783)	(784)	-	(784)
Balance end of period	(8,567)	-	(8,567)	(7,784)	-	(7,784)
Net intangible assets	$ 806	$ 100	$ 906	$ 1,589	$ 100	$ 1,689
Weighted average remaining life in years			0.96			1.45

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

	Year Ending December 31,
2012	$ 124
2013	120
2014	120
2015	120
2016 and thereafter	322
	$ 806

5. Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell are utilized to invest excess funds on a short-term basis. At December 31, 2011, the Company had $2,679,000 in resale agreements outstanding, all of which settled on January 3, 2012 and were subsequently reinvested. The Company maintains control of securities purchased under resale agreements, values the collateral on a daily basis and obtains additional collateral, if necessary, to protect the Company in the event of default by the counterparties.

6. Investments

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

	DECEMBER 31, 2011			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(In thousands)			
FIXED MATURITIES				
AVAILABLE-FOR-SALE:				
Corporate securities	$ 30,031	$ 510	$ (66)	$ 30,475
Collateralized mortgage obligations (CMO) – residential	1,760	168	(40)	1,888
CMO – commercial	579	-	(364)	215
States, municipalities and political subdivisions	8,851	528	(12)	9,367
U.S. Government	5,982	309	-	6,291
Government sponsored enterprise (GSE)	8,900	129	(46)	8,983
Agency mortgage backed pass through securities (MBS)	196	16	-	212
Total fixed maturities	$ 56,299	$ 1,660	$ (528)	$ 57,431
EQUITY SECURITIES				
AVAILABLE-FOR-SALE				
Common stock	$ 831	$ 42	$ (22)	$ 851
Preferred stock with maturities	273	35	-	308
Preferred stock without maturities	2,981	91	-	3,072
Total equity securities	$ 4,085	$ 168	$ (22)	$ 4,231

	DECEMBER 31, 2010			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(In thousands)			
FIXED MATURITIES				
AVAILABLE-FOR-SALE:				
Corporate securities	$ 15,850	$ 167	$ (248)	$ 15,769
CMO – residential	2,021	279	(107)	2,193
CMO – commercial	579	-	(256)	323
States, municipalities and political subdivisions	17,239	152	(327)	17,064
U.S. Government	10,137	159	-	10,296
GSE	7,678	145	(5)	7,818
MBS	256	17	-	273
Total fixed maturities	$ 53,760	$ 919	$ (943)	$ 53,736
EQUITY SECURITIES				
AVAILABLE-FOR-SALE				
Common stock	$ 604	$ 26	$ (20)	$ 610
Preferred stock with maturities	273	54	-	327
Preferred stock without maturities	2,993	77	(10)	3,060
Total equity securities	$ 3,870	$ 157	$ (30)	$ 3,997

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

The unrealized gains (losses) on certain available-for-sale securities (residential CMO's and certain preferred stocks with maturities) at December 31, 2011 and 2010 include $140,000 and $99,000, respectively, of the non-credit related component of other-than-temporary impairment losses recognized in accumulated other comprehensive income.

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

	AMORTIZED COST	FAIR VALUE	% OF TOTAL FAIR VALUE
		(In thousands)	
Due in one year or less	$ 2,526	$ 2,546	4%
Due after one year through five years	21,634	22,166	39%
Due after five years through ten years	17,581	18,016	31%
Due after ten years	6,013	6,252	11%
	47,754	48,980	85%
CMO and MBS			
15 years	2,949	2,725	5%
30 years	5,596	5,726	10%
	$ 56,299	$ 57,431	100%

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

	December 31, 2011					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
FIXED MATURITIES:						
Corporate securities	$ 8,538	$ 57	$ 1,154	$ 9	$ 9,692	$ 66
CMO – residential	-	-	348	40	348	40
CMO – commercial	-	-	215	364	215	364
States, municipalities and political subdivisions	576	12	-	-	576	12
GSE	2,847	43	410	3	3,257	46
Total fixed maturities	$ 11,961	$ 112	$ 2,127	$ 416	$ 14,088	$ 528
EQUITY SECURITIES:						
Common stock	$ 446	$ 22	$ -	$ -	$ 446	$ 22
Total equity securities	$ 446	$ 22	$ -	$ -	$ 446	$ 22

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

At December 31, 2011, a total of 9 fixed maturities and 6 equity securities were in a continuous unrealized loss position for less than 12 months. Also, at December 31, 2011, a total of

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

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

At December 31, 2011, the Company had $732,000 invested in whole loan CMOs backed by Alt-A mortgages. Of this amount, 68.1% were in CMOs that originated in 2005 or earlier and 31.9% were in CMOs that originated in 2006 or later. The unrealized losses on all other CMO's relate to prime rate CMO's and are primarily attributable to general disruptions in the credit market subsequent to purchase. The Company's mortgage security portfolio has no direct exposure to sub-prime mortgages.

Major categories of net investment income for years 2011, 2010 and 2009 are summarized as follows:

	Year Ended December 31,		
	2011	**2010**	**2009**
	(In thousands)		
Fixed maturities	$ 1,918	$ 2,052	$ 2,346
Equity securities	281	262	219
Short-term investments	3	3	10
Other	(13)	201	349
Net investment income	$ 2,189	$ 2,518	$ 2,924

Other-Than-Temporary Impairment Evaluations

Based on management's review of the portfolio, which considered the various factors described in Note 2 (H) (vi), the Company recorded the following losses for other-than-temporary impairments in the Consolidated Statements of Operations for years 2011, 2010 and 2009 (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Impairment losses recognized in earnings:			
Fixed maturities	89	179	-
Impairment losses recognized in other comprehensive income:			
Fixed maturities	41	-	-
Total other-than-temporary impairment losses	$ 130	$ 179	$ -

For the year ended December 31, 2011, other-than-temporary impairments recognized in earnings of $89,000 represent credit losses on fixed maturities as a result of the expected cash flows of certain securities being less than the securities' amortized cost. For the year ended December 31, 2010, other-than-temporary impairments recognized in earnings of $179,000 represent credit losses on fixed maturities as a result of the expected cash flows of certain securities being less than the securities' amortized cost.

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

	2011	2010	2009
Balance at beginning of year	$ 99	$ 99	$ -
Adoption of new accounting standards	-	-	99
Credit portion of other-than-temporary impairment losses recognized during period	46	-	-
Balance at end of year	$ 145	$ 99	$ 99

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

7. Net Realized Investment Gains (Losses)

Net realized investment gains (losses) for years 2011, 2010 and 2009 are as follows (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Net realized investment gains (losses):			
Fixed maturities	$ 737	$ 919	$ 244
Common stock	(146)	127	11
Preferred stock	(71)	(24)	20
	520	1,022	275
Trading account write-off	-	(1,266)	-
Net realized investment gains (losses)	$ 520	$ (244)	$ 275

For the twelve months ended December 31, 2011, the Company recorded realized gross gains of $1,042,000 and gross losses of $522,000 on sales of available-for-sale securities. For the twelve months ended December 31, 2010, the Company recorded realized gross gains of $1,312,000 and gross losses of $290,000 on sales of available-for-sale securities. For the twelve months ended December 31, 2009, the Company recorded realized gross gains of $581,000 and gross losses of $306,000 on sales of available-for-sale securities.

In the fourth quarter of 2008, the Company became aware of certain activities engaged in by the non-affiliate broker-dealer that managed a trading account of the Company. Net realized investment losses reported in the accompanying Consolidated Statement of Operations for 2010 includes a loss of $1,266,000 consisting of the reversal of $500,000 of anticipated Securities Investor Protection Corporation ("SIPC") recoveries initially recorded in 2008 and $766,000 of withdrawals by AMIC deemed subject to return. A settlement agreement was entered into with the trustee in the first quarter of 2011 and payment by the Company was made in the third quarter of 2011.

8. Fair Value Measurements

For all financial and non-financial instruments 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 financial instruments at fair value.

Investments in fixed maturities and equity securities

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

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

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	$ -	$ 30,475	$ -	$ 30,475
CMO - residential	-	1,024	864	1,888
CMO – commercial	-	-	215	215
States, municipalities and political subdivisions	-	9,367	-	9,367
U.S. Government	-	6,291	-	6,291
GSE	-	8,983	-	8,983
MBS	-	212	-	212
Total fixed maturities	-	56,352	1,079	57,431
Equity securities available-for-sale:				
Common stock	851	-	-	851
Preferred stock with maturities	308	-	-	308
Preferred stock without maturities	3,072	-	-	3,072
Total equity securities	4,231	-	-	4,231
Total financial assets	$ 4,231	$ 56,352	$ 1,079	$ 61,662

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

It is the Company's policy to recognize transfers of assets and liabilities between levels of the fair value hierarchy at the end of a reporting period. For the year ending December 31, 2011, there were no transfers of assets and liabilities between Level 1 and Level 2 of the fair value hierarchy. No securities were transferred out of the Level 2 and into the Level 3 category as a result of limited or inactive markets during 2011. The Company does not transfer out of Level 3 and into Level 2 until such time as observable inputs become available and reliable or the range of available independent prices narrow. No securities were transferred out of the Level 3 category during 2011. Three securities were sold out of the Level 3 category in 2011 and one security was sold out of the Level 3 category in 2010. The changes in the carrying value of Level 3 assets and liabilities for the years ended December 31, 2011 and 2010 are summarized as follows (in thousands):

	CMOs Residential	CMOs Commercial	Total
Balance, December 31, 2009	$ 1,786	$ 310	$ 2,096
Repayments of fixed maturities	(257)	-	(257)
Net realized investment losses	(8)	-	(8)
Sales of securities	(232)	-	(232)
Other-than-temporary Impairment losses	(179)	-	(179)
Net unrealized gain (loss) included in accumulated other comprehensive loss	449	13	462
Balance, December 31, 2010	$ 1,559	$ 323	$ 1,882
Repayments of fixed maturities	(132)	-	(132)
Net realized investment gains	55	-	55
Sales of securities	(512)	-	(512)
Other-than-temporary Impairment losses	(67)	-	(67)
Net unrealized gain (loss) included in accumulated other comprehensive loss	(39)	(108)	(147)
Balance, December 31, 2011	$ 864	$ 215	$ 1,079

9. Investment in Majestic

At December 31, 2011 and December 31, 2010, the Company had an equity investment in Majestic with a carrying value of $797,000 and $788,000, respectively. For years 2011, 2010 and 2009, the Company recorded $9,000, ($45,000) and ($29,000), respectively, for its share of income (loss) from its investment in other income in the Consolidated Statements of Operations.

10. Fixed Assets

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

	As of December 31,	
	2011	2010
Furniture and fixtures	$ 750	$ 682
Leasehold improvements	130	126
Equipment	1,030	1,011
Total	1,910	1,819
Less: allowance for depreciation	(1,776)	(1,707)
Fixed assets, net	$ 134	$ 112

11. Commitments and Contingencies

Fixed maturities with a carrying value of $4,706,000 are on deposit with various state insurance departments at December 31, 2011.

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

Future minimum lease payments under non-cancelable operating leases as of December 31, 2011, are as follows (in thousands):

Year Ending December 31,	Net Operating Leases
2012	$ 105
2013	100
2014	65
2015	60
2016	31
2017 and thereafter	-
Total	$ 361

The Company's net rent expense for years 2011, 2010, and 2009 were $222,000, $355,000, and $482,000, respectively.

Legal Proceedings

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

12. Share-Based Compensation

2009 Stock Incentive Plan ("2009 Plan")

Effective July 1, 2009, the Company implemented the 2009 Plan, which the Company's stockholders approved on June 19, 2009. The 2009 Plan provided for the grants of non-statutory and incentive stock options, stock appreciation rights, restricted stock awards, performance shares, and other awards to officers, employee and other individuals. Under the terms of the 2009 Plan, stock options have a maximum term of ten years from the date of grant, and have various vesting criteria depending on the grant with most grants vesting 25% on the first year anniversary date of the grant and ratably over the next 36 months. The 1998 Plan, which expired by its terms on October 7, 2008, had reserved for issuance a total of 7,154,198 common stock shares. At December 31, 2011, stock options for 333,956 common stock shares were outstanding, stock options for 310,622 common stock shares were vested, and 6,517,221 common stock shares that had not been issued remained available for future stock options grants and other awards. Awards made under the 1998 Plan prior to its expiration are still in effect.

Total share-based compensation expense was $43,000, $74,000 and $99,000 for the twelve months ended December 31, 2011, 2010 and 2009, respectively. Related tax benefits of $15,000, $26,000 and $35,000 were recognized for the twelve months ended December 31, 2011, 2010 and 2009, respectively.

Stock Options

The Company's stock option activity for the year ended December 31, 2011 was as follows:

	No. of Shares Under Option	Weighted Average Exercise Price
Balance, December 31, 2010	359,234	$ 9.95
Granted	20,001	5.52
Expired	(31,668)	4.50
Exercised	(13,611)	4.24
Balance, December 31, 2011	333,956	$ 10.43

Compensation expense was $36,000, $56,000, and $74,000 for the twelve months ended December 31, 2011, 2010, and 2009, respectively. As of December 31, 2011, there was approximately $80,000 of total unrecognized compensation expense related to non-vested options which will be recognized over the remaining requisite service periods.

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

	Outstanding	Exercisable
Number of options	333,956	310,622
Weighted average exercise price per share	$ 10.43	$ 10.82
Aggregate intrinsic value of options	$ -	$ -
Weighted average contractual term remaining	3.12 years	2.67 years

The fair value of each stock option on the date of grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for years 2011 and 2010:

		Year Ended December 31,		
		2011		2010
Volatility		36.89%		45.00%
Risk-free interest rate		3.11%		3.69%
Dividend yield		-		-
Expected lives in years		5.0		5.0
Weighted average fair value	$	3.02	$	2.79

Restricted Stock

The Company issued 12,000 restricted stock awards in the second quarter of 2008, with a weighted average grant-date fair value of $6.92 per share. No restricted stock awards were issued in 2011 and 2010. Restricted stock expense was $7,000, $18,000 and $25,000 for the twelve months ended December 31, 2011, 2010 and 2009, respectively.

The following table summarizes restricted stock activity for the year ended December 31, 2011:

	No. of Non-vested Shares		Weighted Average Exercise Price
Balance, December 31, 2010	2,500	$	6.92
Vested	(1,500)		6.92
Forfeited	(1,000)		6.92
Balance, December 31, 2011	0	$	0

13. Related Party Transactions

Independence American derives a significant amount of its business from pro rata quota share reinsurance treaties with Standard Security Life and Madison National Life, which are wholly owned subsidiaries of IHC. These treaties were entered into in 2002 and terminate on December 31, 2014, unless terminated sooner by Independence American. Standard Security Life and Madison National Life must cede at least 15% of their medical stop-loss business to Independence American under these treaties. Additionally, Standard Security Life and Madison National Life have received regulatory approval to cede up to 30% to Independence American under most of IHC's medical stop-loss programs. For the twelve months ended December 31, 2011 and 2010, Standard Security Life and Madison National Life ceded an average of approximately 20%, respectively, of their medical stop-loss business to Independence American. Commencing in July 2004, Independence American began reinsuring 20% of Standard Security Life's DBL business. Standard Security Life and Madison National Life ceded approximately 9% of the majority of its fully insured health business to Independence American in 2011 and 2010.

Independence American assumes these premiums from Standard Security Life and Madison National Life, and records related insurance income, expenses, assets and liabilities. Independence American pays administrative fees and commissions to subsidiaries of IHC in connection with fully insured health business written by Independence American. Additionally, Risk Solutions markets, underwrites and provides administrative services, medical management, and claims adjudication, for a substantial portion of the medical stop-loss business written by the insurance subsidiaries of IHC. Risk Solutions records related income, assets and liabilities in connection with that business. Risk Solutions performs certain functions for Majestic and Alliance Underwriters ("AU") (a subsidiary of IHC). Accordingly, Risk Solutions allocates proportionate fees and expenses to Majestic and AU. Such related party information is disclosed on the Consolidated Balance Sheets and Consolidated Statements of Operations. The Company also contracts for several types of insurance coverage (e.g. directors and officers and professional liability coverage) jointly with IHC. The cost of this coverage is split proportionally between the Company and IHC according to the type of risk and the Company's portion is recorded in Selling, General and Administrative Expenses.

IHC provides the Company with pro rata quota share reinsurance on business written by Independence American. Independence American cedes a certain percentage of its direct stop-loss business sold through Risk Solutions to Madison National Life. Independence American incurs an administration expense on its retained share of major medical for individual and families business that is paid to IHC Health Solutions, a subsidiary of IHC.

The Company and its subsidiaries incurred expense of $1,136,000 and $1,151,000 for the twelve months ended December 31, 2011 and 2010, respectively, from service agreements with IHC and its subsidiaries. These payments reimburse IHC and its subsidiaries, at agreed upon rates including an overhead factor, for management services provided to the Company and its subsidiaries, including accounting, legal, compliance, underwriting, and claims.

14. Income Taxes

The Company and its subsidiaries file a consolidated federal income tax return on a September 30 fiscal tax year. The provision for income taxes for the periods ended December 31, 2011, 2010 and 2009 are as follows:

	Year Ended December 31,		
	2011	**2010**	**2009**
	(In thousands)		
CURRENT:			
U.S. Federal	$ -	$ 36	$ 35
State and local	(82)	(99)	(1)
	(82)	(63)	34
DEFERRED:			
U.S. Federal	1,258	1,023	1,311
State and local	131	131	127
	1,389	1,154	1,438
	$ 1,307	$ 1,091	$ 1,472

Taxes computed at the federal statutory rate of 35% for the years ended December 31, 2011, 2010 and 2009 are reconciled to the Company's actual income tax expense as follows:

	2011	**2010**	**2009**
	(In thousands)		
Tax computed at the statutory rate	$ 1,330	$ 1,117	$ 1,430
Dividends received deduction and tax exempt interest	(59)	(55)	(46)
State and local income taxes, net of federal effect	32	21	82
Other, net	4	8	6
Income tax	$ 1,307	$ 1,091	$ 1,472

The current federal income tax provision for the periods ending December 31, 2010 and 2009 represents only federal alternative minimum tax due to the Company's federal net operating loss carryforwards.

The tax effect of temporary differences that give rise to significant portions of the net deferred tax assets at December 31, 2011 and 2010 are as follows:

	2011	2010
	(In thousands)	
DEFERRED TAX ASSETS:		
Investments	$ 216	$ 742
Unpaid accruals	-	161
Property and equipment	-	141
Other	-	35
Compensation accruals	1,032	1,012
Derivative liability	-	908
Insurance reserves	119	131
Net operating loss carryforwards	98,067	97,655
Total gross deferred tax assets	99,434	100,785
Less valuation allowance	(84,665)	(86,059)
Net deferred tax assets	14,769	14,726
DEFERRED TAX LIABILITIES:		
Goodwill	(750)	(516)
MGU partnership income	(4,400)	(3,924)
Unrealized securities gains	(447)	(36)
Other	(180)	-
State taxes	(442)	(314)
Total gross deferred tax liabilities	(6,219)	(4,790)
Net deferred tax asset	$ 8,550	$ 9,936

During the year ended December 31, 2011 and 2010 the Company decreased its valuation allowance by $1,394,000 and $325,000, respectively. The valuation allowance at December 31, 2011 and 2010 was primarily related to net operating loss carryforwards that, in the judgment of management, were not considered realizable.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management believes that it is more likely than not that the Company will realize the benefits of these net deferred tax assets recorded at December 31, 2011.

At December 31, 2011, the Company had federal NOL carryforwards of approximately $274,718,000 which expire as follows (in thousands):

Tax Year:		
2019	$	16,675
2020		70,827
2021		142,530
2022		41,252
2023		528
2024		2
2025		-
2026		354
2027		-
2028		2
2029		1,372
2030		-
2031		1,176
	$	274,718

At December 31, 2011, the Company also had NOL carryforwards of approximately $25,814,000 for state income tax purposes, primarily in the State of California. Management believes that it is more likely than not that the state tax benefit of these net operating loss carryforwards will not be realized and has provided a valuation allowance against the full amount.

The Internal Revenue Service ("IRS") is currently auditing the Company's 2009 consolidated income tax return. The IRS has previously audited the Company's 2003 and 2004 consolidated income tax returns and made no changes to the reported tax for those periods. Management believes that it has made adequate provision for all income tax uncertainties, such that the outcome of any unresolved issues or claims will not result in a material change to our financial position or results of operations.

Interest expense and penalties for the years ended December 31, 2011, 2010 and 2009 are insignificant.

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

As of December 31, 2011, AMIC believes there were no material uncertain tax positions that would require disclosure under GAAP.

15. Insurance Reserves

The Company maintains loss reserves to cover its estimated liability for unpaid losses and loss adjustment expenses, including legal and other fees and a portion of the Company's general expenses, for reported and unreported claims incurred as of the end of each accounting period. These loss reserves are based on actuarial assumptions and are maintained at levels that are in accordance with U.S. GAAP. Many factors could affect these reserves, including economic and social conditions, inflation, healthcare costs, changes in doctrines of legal liability and damage awards in litigation. Therefore, the Company's reserves are necessarily based on estimates, assumptions and analysis of historical experience. The Company's results depend upon the variation between actual claims experience and the assumptions used in determining reserves and pricing products. Reserve assumptions and estimates require significant judgment and, therefore are inherently uncertain. The Company cannot determine with precision the ultimate amounts that will be paid for actual claims or the timing of those payments.

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

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

	Year Ended December 31, 2011	Year Ended December 31, 2010
	(In thousands)	
Balance at a beginning of period	$ 22,009	$ 26,109
Less: reinsurance recoverables	(2,811)	(2,805)
Net balance at beginning of period	19,198	23,304
Amount incurred:		
Current year	49,018	51,035
Prior years	(1,250)	(809)
Total	47,768	50,226
Amount paid, related to:		
Current year	32,530	33,944
Prior years	16,121	20,388
Total	48,651	54,332
Net balance at end of period	18,315	19,198
Plus: reinsurance recoverables	2,715	2,811
Balance at end of period	$ 21,030	$ 22,009

The preceding schedule reflects (i) due and unpaid claims, (ii) claims in the course of settlement, (iii) estimated incurred but not reported reserves and (iv) the present value of amounts not yet due on claims. The incurred and paid data above reflects all activity for the year. The amount incurred in 2011 for prior years of $(1,250,000) is a result of a redundancy of $788,000 of fully insured health reserves, $225,000 of DBL reserves and $237,000 of medical stop-loss reserves. The amount incurred in 2010 for prior years of $(809,000) is a result of a redundancy of $1,355,000 of fully insured health reserves and of $340,000 of DBL reserves, offset by the re-estimation of unpaid losses on medical stop-loss reserves of $886,000. Fluctuations are generally the result of on-going analysis of recent loss development trends.

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

16. Reinsurance

Independence American reinsures a portion of its direct business in order to limit the assumption of disproportionate risks. Amounts not retained are ceded to other companies on an automatic basis. Independence American is contingently liable with respect to reinsurance in the unlikely event that the assuming reinsurers are unable to meet their obligations. The ceding of reinsurance does not discharge the primary liability of the original insurer to the insured. At December 31, 2011, Independence American ceded to highly rated reinsurers.

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

	DIRECT AMOUNT	ASSUMED FROM OTHER COMPANIES	CEDED TO OTHER COMPANIES	NET AMOUNT	% OF AMOUNT ASSUMED TO NET
Insurance Benefits:					
Year ended December 31, 2011	$ 26,770	$ 27,238	$ 6,240	$ 47,768	57%
Year ended December 31, 2010	25,265	31,467	6,506	50,226	63%
Year ended December 31, 2009	25,272	39,516	5,131	59,657	66%
Premiums Earned:					
Year ended December 31, 2011	$ 39,893	$ 42,088	$ 9,533	$ 72,448	58%
Year ended December 31, 2010	41,264	45,315	12,720	73,859	61%
Year ended December 31, 2009	37,396	56,664	8,545	85,515	66%

17. Dividend Restrictions on Insurance Subsidiary

Dividends from Independence American to its parent, a subsidiary of AMIC, are subject to the prior notification to the Delaware Insurance Commissioner, if such dividends, together with the fair market value of other dividends or distributions made within the preceding twelve months, exceed the greater of (i) 10% of surplus as regards policyholders as of the preceding December 31 or (ii) net income, not including realized capital gains, for the twelve-month period ending the December 31 next preceding. Such dividends may be paid as long as they have not been disapproved by the Delaware Insurance Commissioner within 30 days of its receipt of notice thereof. Independence American paid dividends of $1,000,000 in 2011 and of $1,500,000 in 2010.

Independence American's statutory surplus was $50,466,000 (unaudited) as of December 31, 2011 and $47,392,000 as of December 31, 2010. Independence American's statutory net income was $3,407,000 (unaudited) for 2011, $2,697,000 for 2010, and $2,760,000 for 2009.

18. Other Comprehensive Income

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

The comprehensive income for years 2011, 2010 and 2009 is summarized as follows (in thousands):

	Year Ended December 31, 2011	2010	2009
Net income	$ 3,184	$ 2,982	$ 3,166
Unrealized gains arising during the period	1,606	506	3,605
Reclassification adjustment for (gains) losses included in earnings	(520)	244	(275)
Reclassification of losses recognized as other-than-temporary impairments in earnings	89	179	-
Net unrealized gains on certain available-for-sale securities arising during the period	1,175	929	3,330
Comprehensive income	4,359	3,911	6,496
Comprehensive income attributable to non-controlling interests	(690)	(883)	(554)
Comprehensive income attributable to American Independence Corp.	$ 3,669	$ 3,028	$ 5,942

Included in accumulated other comprehensive income at December 31, 2011 and 2010 are adjustments of $140,000 and $99,000, respectively, related to the non-credit related component of other-than-temporary impairment losses recorded. In 2011, unrealized gains arising during the period include losses of $41,000, representing the non-credit portion of other-than-temporary impairments.

19. Marketing Agreement

In February 2006, Independence American entered into an agreement (the "EDH Agreement") with Employers Direct Health, Inc. ("EDH"). Under the EDH Agreement, EDH began writing employer medical stop-loss for Independence American in 2006, and moved the majority of its existing block of employer-sponsored group major medical and medical stop-loss to Independence American during 2007. The employer-sponsored group major medical product is part of the Company's fully insured health line of business. As part of the EDH Agreement, an affiliate of EDH and Independence American agreed to a profit/loss sharing arrangement whereby Independence American will pay to, or receive from, such affiliate 35% of the underwriting profit or loss associated with the fully insured and medical stop-loss business written by Independence American through treaty year 2009. For treaty year 2010, the profit/loss sharing percentage remained at 35% for fully insured business and increased to 50% for medical stop-loss business. For treaty year 2011, the profit/loss sharing percentage remained at 35% for fully insured business and increased to 65% for medical stop-loss business. Accordingly, the Company has recorded a profit sharing commission expense on the business underwritten in the twelve months period ended December 31, 2011. For treaty year 2012, the profit/loss sharing percentage increased to 65% for fully insured business and remained at 65% for medical stop-loss business.

Derivative Liability

The EDH Agreement entered into in February 2006 expired by its terms on December 31, 2011. In 2006, the Company recorded a derivative liability ("EDH Derivative") and an intangible asset on its balance sheet in the amount of $743,000 to account for the fair value of such contingent payment at closing. The EDH Derivative was evaluated each quarter and is recorded in the Consolidated Balance Sheet as a liability at fair value. The corresponding changes in unrealized gains or losses are reported in other income (loss) in the Consolidated Statements of Operations.

As a result of an actuarial evaluation of certain performance thresholds of EDH's block of business, the Company determined that such thresholds were not achieved. Therefore, the fair value of the derivative liability representing the contingent payment to EDH was $0 as of December 31, 2011 and 2010.

The gain recognized on the derivative for the twelve months ended December 31, 2011, 2010 and 2009 are as follows (in thousands):

Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized in Income on Derivative	Amount of Gain Recognized in Income on Derivative Year Ended December 31, 2011	2010	2009
EDH Derivative	Other income	$ -	$ -	$ 205
Total		$ -	$ -	$ 205

20. Acquisition

In the third quarter of 2011, the Company acquired an additional 28% ownership interest in IPA from non-controlling interests for cash consideration of $450,000, thereby increasing its ownership in IPA to 79% at September 30, 2011. As a result of this transaction, the Company recorded a $450,000 debit to additional paid-in capital representing the difference between the fair value of the consideration paid and the carrying value of the non-controlling interests which was zero at September 30, 2011. On December 31, 2011, the Company acquired an additional 10.6% ownership interest in IPA from non-controlling interests for cash consideration of $75,000, thereby increasing its ownership in IPA to 89.6%. As a result of this transaction, the Company recorded an additional debit of $75,000 to additional paid-in capital representing the difference between the fair value of the consideration paid and the carrying value of the non-controlling interests which was zero at December 31, 2011.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

A review and evaluation was performed by management under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures, as required by Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2011. Based upon that most recent evaluation, which was completed as of the end of the period covered by this Form 10-K, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at December 31, 2011 to ensure that information required to be disclosed in reports that the Company files under the Exchange Act is recorded, processed, summarized and timely reported as provided in the Securities and Exchange Commission ("SEC") rules and forms. As a result of this evaluation, there were no significant deficiencies in the Company's internal control over financial reporting during the twelve months ended December 31, 2011 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Management Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(b) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of the Company's principal executive and principal financial officers and effected by the Company's board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States ("US GAAP") and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of human error and the circumvention or overriding of controls, material misstatements may not be prevented or detected on a timely basis. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes and conditions or that the degree of compliance with policies or procedures may deteriorate. Accordingly, even internal controls determined to be effective can provide only reasonable assurance that information required to be disclosed in and reports filed under the Exchange Act is recorded, processed, summarized and represented within the time periods required.

Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this annual report. As a result, this annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the year ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 9B. ***Other Information***

None

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this Item is hereby incorporated by reference from our definitive proxy statement relating to the annual meeting of AMIC’s stockholders to be held in June 2012, which definitive proxy statement will be filed with the SEC.

Our written Code of Business Ethics and Corporate Code of Conduct may be found on our website, www.americanindependencecorp.com, under the Corporate Information / Corporate Governance tabs. Both Codes apply to all of our directors, officers and employees, including our principal executive officer and our senior financial officers. Any amendment to or waiver from either of the Codes will be posted to the same location on our website, to the extent such disclosure is legally required.

Item 11. *Executive Compensation*

The information required by this Item is hereby incorporated by reference from our definitive proxy statement relating to the annual meeting of AMIC's stockholders to be held in June 2012, which definitive proxy statement will be filed with the SEC.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this Item is hereby incorporated by reference from our definitive proxy statement relating to the annual meeting of AMIC's stockholders to be held in June 2012, which definitive proxy statement will be filed with the SEC.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item is hereby incorporated by reference from our definitive proxy statement relating to the annual meeting of AMIC's stockholders to be held in June 2012, which definitive proxy statement will be filed with the SEC.

Item 14. Principal Accounting Fees and Services

The information required by this Item is hereby incorporated by reference from our definitive proxy statement relating to the annual meeting of AMIC's stockholders to be held in June 2012, which definitive proxy statement will be filed with the SEC.

PART IV

Item 15. *Exhibits and Financial Statement Schedules*

(a) Financial Statements and Exhibits

* (1) *Financial Statement Schedules.*	**Page**
Schedule I – Summary of investments – other than investments in related parties	81
Schedule II – Financial information of Parent Company	82-84
Schedule III – Supplementary insurance information	85
Schedule V – Valuation and Qualifying Accounts	86

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

(2) *Exhibits.* See Index to Exhibits included in this Annual Report on Form 10-K 80
Page

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on March 15, 2012.

AMERICAN INDEPENDENCE CORP.

Signature	
/s/ Roy T.K. Thung **(Roy T.K. Thung)**	Chief Executive Officer (Principal Executive Officer)
/S/ Teresa A. Herbert **(Teresa A. Herbert)**	Chief Financial Officer and Senior Vice President (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities set forth below on March 15, 2012.

Signature	
/s/ Edward A. Bennett **(Edward A. Bennett)**	Director
/s/ Ronald I. Simon **(Ronald I. Simon)**	Director
/s/ Roy T. K. Thung **(Roy. T.K. Thung)**	Director
/s/ Myron M. Picoult **(Myron M. Picoult)**	Director
/s/ James G. Tatum **(James G. Tatum)**	Director
/s/ Teresa A. Herbert **(Teresa A. Herbert)**	Director
/s/ David T. Kettig **(David T. Kettig)**	Director
/s/ Steven B. Lapin **(Steven B. Lapin)**	Director

AMERICAN INDEPENDENCE CORP. AND SUBSIDIARIES
INDEX TO EXHIBITS
Item 15(A) (3)

Exhibit No.	Description of Document
2.1	Stock Purchase Agreement, dated as of July 30, 2002, between Registrant, SSH Corporation and Independence Holding Company. Incorporated by reference to exhibit 10.1 of the Registrant's Current Report on Form 8-K dated July 31, 2002
3.1	Second Amended and restated Certificate of Incorporation of the Registrant. Incorporated by reference to Exhibit 3.1 of the registrant's Annual Report on form 10K for the fiscal year ended September 30, 2002.
3.2	Amended By-Laws of the Registrant. Incorporated by reference to Exhibit 3.1 of the registrant's Annual Report on form 10K for the fiscal year ended September 30, 2002.
4.1	Registration Rights Agreement, dated as of July 30, 2002, between Registrant and Madison Investors Corporation. Incorporated by reference to exhibit 4.1 of the Registrant's Current Report on Form 8-K dated July 31, 2002.
4.2	Stock Agreement, dated as of July 30, 2002, between Registrant, Independence Holding Company and Madison Investors Corporation. Incorporated by reference to exhibit 10.2 of the Registrant's Current Report on Form 8-K dated July 31, 2002.
4.3	Rights Agreement, dated as of July 30, 2002, between Registrant and Mellon Investor Services LLC which includes the form of Certificate of Designations of the Series A Junior Participating Preferred Stock of Registrant as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C. Incorporated by reference to exhibit 4.1 of the Registrant's Current Report on Form 8-K dated July 31, 2002.
10.1	Services Agreement, dated as of November 15, 2002, by and between American Independence Corp. and Independence Holding Company. Incorporated by reference to exhibit 10.2 of the Registrant's Current Report on Form 8-K dated November 14, 2002.
10.2	Agency Agreement, dated February 22, 2006, between the Registrant and First Integrated Health, Inc. Incorporated by reference to exhibit 10.2 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.3	Registrant’s 1998 Stock Incentive Plan Incorporated by reference to exhibit 99.1 of the Registrant's Registration Statement on Form S-8 dated May 10, 1999.
10.4	Registrant’s 1999 Supplemental Stock Incentive Plan. Incorporated by reference to exhibit 99.1 of the Registrant's Registration Statement on Form S-8 dated June 8, 1999.
10.5	Contribution Agreement dated April 15, 2008 by and among Independent Producers of America, LLC, a wholly owned subsidiary of the Registrant, Insurance Producers Group of America, Inc., Insurance Producers of America Agency, Inc. and Independent Producers of America Agency, Inc. Incorporated by reference to exhibit 10.1 of the Registrant’s Current Report on Form 8-K dated April 22, 2008.
10.6	Registrant’s 2009 Stock Incentive Plan (the “2009 Plan”), form of Restricted Share Award Agreement under the 2009 Plan and form of Stock Option Award Agreement under the 2009 Plan. (The 2009 Plan was filed as Appendix A to the Proxy Statement for the Registrant’s Annual Meeting of Stockholders held on June 19, 2009 and is incorporated herein by reference; the form of restricted share award agreement was filed as Exhibit 4.4 to the Registrant’s Form S-8 filed with the SEC on July 31, 2009 and is incorporated herein by reference; and the form of stock option award agreement was filed as Exhibit 4.5 to the Registrant’s Form S-8 filed with the SEC on July 31, 2009 and is incorporated herein by reference.)
10.7	Quota Share Reinsurance Agreement between Madison National Life Insurance, Inc. and Independence American Insurance Company, as amended. Incorporated by reference to Exhibit 10.7 of the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (as amended).
10.8	Quota Share Reinsurance Agreement between Standard Security Life Insurance Company of New York and Independence American Insurance Company, as amended. Incorporated by reference to Exhibit 10.8 of the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (as amended).
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SCHEDULE I

AMERICAN INDEPENDENCE CORP. AND SUBSIDIARIES
SUMMARY OF INVESTMENTS – OTHER THAN INVESTMENTS IN RELATED PARTIES
AS OF DECEMBER 31, 2011
(In thousands)

TYPE OF INVESTMENT	AMORTIZED COST	FAIR VALUE	AMOUNT SHOWN ON BALANCE SHEET
FIXED MATURITIES:			
BONDS:			
Corporate securities	$ 30,031	$ 30,475	$ 30,475
Collateralized mortgage obligations (CMO) - residential	1,760	1,888	1,888
CMO - commercial	579	215	215
States, municipalities and political subdivisions	8,851	9,367	9,367
U.S. Government	5,982	6,291	6,291
Government sponsored enterprise (GSE)	8,900	8,983	8,983
Agency mortgage backed pass through securities (MBS)	196	212	212
TOTAL FIXED MATURITIES	56,299	57,431	57,431
EQUITY SECURITIES			
Common stock	831	851	851
Preferred stock with maturities	273	308	308
Preferred stock without maturities	2,981	3,072	3,072
TOTAL EQUITY SECURITIES	4,085	4,231	4,231
Securities purchased under agreements to resell	2,679	2,679	2,679
TOTAL INVESTMENTS	$ 63,063	$ 64,341	$ 64,341

SCHEDULE II

AMERICAN INDEPENDENCE CORP.
BALANCE SHEETS
(PARENT COMPANY ONLY)
(In thousands, except share data)

	As of December 31,	
	2011	**2010**
ASSETS:		
Cash and cash equivalents	$ 460	$ 594
Fixed maturities available-for-sale, at fair value	3,556	4,756
Investments in continuing consolidated subsidiaries	80,010	77,151
Other receivables	1,025	3
Other assets	502	506
Deferred tax asset	8,992	10,250
TOTAL ASSETS	$ 94,545	$ 93,260
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Accounts payable and other liabilities	$ 556	$ 1,200
TOTAL LIABILITIES	556	1,200
STOCKHOLDERS' EQUITY		
Preferred stock (none issued)	-	-
Common stock, 9,181,793 shares		
issued, respectively; 8,272,332 shares and 8,508,591		
outstanding, respectively	92	92
Paid-in capital	479,418	479,910
Accumulated other comprehensive loss:		
Unrealized gain on investments, net	1,278	103
Treasury stock, at cost, 909,461 shares and 673,202, respectively	(9,107)	(7,976)
Accumulated deficit	(377,692)	(380,069)
TOTAL STOCKHOLDERS' EQUITY	93,989	92,060
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 94,545	$ 93,260

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

SCHEDULE II

(Continued)

AMERICAN INDEPENDENCE CORP.
STATEMENTS OF OPERATIONS
(PARENT COMPANY ONLY)
(In thousands)

	YEAR ENDED DECEMBER 31,		
	2011	**2010**	**2009**
REVENUES:			
Net investment income	$ 45	$ 16	$ 1
Net realized investment gains (losses)	11	(1,266)	-
Other income	-	-	1
	56	(1,250)	2
EXPENSES:			
General and administrative expenses and other	1,838	1,589	1,438
	1,838	1,589	1,438
Loss before income tax expense	(1,782)	(2,839)	(1,436)
Income tax benefit	(620)	(989)	(495)
Loss before equity in net income of subsidiaries	(1,162)	(1,850)	(941)
Equity in net income of subsidiaries, net of tax	4,346	4,832	4,107
Net income	3,184	2,982	3,166
Less: Net income attributable to the non-controlling interest	(690)	(883)	(554)
Net income attributable to American Independence Corp.	$ 2,494	$ 2,099	$ 2,612

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

SCHEDULE II

(Continued)

AMERICAN INDEPENDENCE CORP.
STATEMENTS OF CASH FLOWS
(PARENT COMPANY ONLY)
(In thousands)

	YEAR ENDED DECEMBER 31,		
	2011	**2010**	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 3,184	$ 2,982	$ 3,166
Adjustments to reconcile net income to net cash provided from operating activities:			
Deferred tax expense	1,389	1,154	1,438
Equity in net income of subsidiaries	(4,346)	(4,832)	(4,107)
Net realized investment (gains) losses	(11)	1,266	-
Non-cash compensation expense	43	74	99
Change in operating assets and liabilities:			
Change in deferred tax asset	(131)	(131)	(126)
Change in other assets and liabilities	(893)	288	(290)
Net cash provided by (used by) operating activities of continuing operations	(765)	801	180
Net cash used by operating activities of discontinued operations	-	(93)	(260)
Net cash provided by (used by) operating activities	(765)	708	(80)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in investments in and advances to consolidated subsidiaries	1,958	3,023	496
IPA acquisition of non-controlling interest	(525)	-	-
Change in loan receivable	(750)	-	-
Purchases of fixed maturities	-	(4,747)	-
Sales of fixed maturities	1,201		
Net cash provided by (used by) investing activities	1,884	(1,724)	496
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	57	45	-
Repurchase of common stock	(1,310)	(60)	-
Net cash used by financing activities	(1,253)	(15)	-
Increase (decrease) in cash and cash equivalents	(134)	(1,031)	416
Cash and cash equivalents, beginning of period	594	1,625	1,209
Cash and cash equivalents, end of period	$ 460	$ 594	$ 1,625
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid during the period for:			
Income taxes	$ 7	$ 9	$ 28

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

SCHEDULE III

AMERICAN INDEPENDENCE CORP. AND SUBSIDIARIES
SUPPLEMENTARY INSURANCE INFORMATION
(In thousands)

	INSURANCE RESERVES	UNEARNED PREMIUMS	PREMIUMS EARNED	NET INVESTMENT INCOME (1)	INSURANCE BENEFITS, CLAIMS AND RESERVES	SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (2)	PREMIUMS WRITTEN
YEAR ENDED DECEMBER 31, 2011:							
Independence American:							
Medical stop-loss	$ 14,165	$ -	$ 38,569	$ 1,417	$ 25,759	$ 11,497	$ 38,569
Fully Insured Health	6,259	287	30,913	496	20,198	6,935	31,188
DBL	606	140	2,966	68	1,811	917	2,987
Total Independence American	21,030	427	72,448	1,981	47,768	19,349	72,744
Risk Solutions and Agencies	-	-	-	163	-	13,737	-
Corporate	-	-	-	45	-	1,838	-
Total	$ 21,030	$ 427	$ 72,448	$ 2,189	$ 47,768	$ 34,924	$ 72,744
YEAR ENDED DECEMBER 31, 2010:							
Independence American:							
Medical stop-loss	$ 15,089	$ -	$ 39,247	$ 1,683	$ 28,789	$ 10,923	$ 39,247
Fully Insured Health	6,272	11	31,394	508	19,568	7,725	31,376
DBL	648	120	3,218	75	1,869	936	3,218
Total Independence American	22,009	131	73,859	2,266	50,226	19,584	73,841
Risk Solutions and Agencies	-	-	-	236	-	13,071	-
Corporate	-	-	-	16	-	1,589	-
Total	$ 22,009	$ 131	$ 73,859	$ 2,518	$ 50,226	$ 34,244	$ 73,841
YEAR ENDED DECEMBER 31, 2009:							
Independence American:							
Medical stop-loss	$ 17,539	$ -	$ 46,378	$ 1,942	$ 30,937	$ 14,186	$ 46,378
Fully Insured Health	7,890	29	35,834	548	26,823	7,719	35,783
DBL	680	120	3,303	72	1,898	999	3,303
Total Independence American	26,109	149	85,515	2,562	59,658	22,904	85,464
Risk Solutions and Agencies	-	-	-	361	-	14,768	-
Corporate	-	-	-	1	-	1,437	-
Total	$ 26,109	$ 149	$ 85,515	$ 2,924	$ 59,658	$ 39,109	$ 85,464

(1) Net investment income is allocated between product lines based on the mean reserve method.
(2) Where possible, direct operating expenses are specifically identified and charged to product lines. Indirect expenses are allocated based on time studies; however, other acceptable methods of allocation might produce different results.

SCHEDULE V

AMERICAN INDEPENDENCE CORP.
VALUATION AND QUALIFYING ACCOUNTS
(In thousands)

	Balance at Beginning Of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Valuation Allowance on Deferred Tax Asset:					
Year ended December 31, 2011	$ 86,059	$ (411)	$ -	$ (983) (a)	$ 84,665
Year ended December 31, 2010	$ 86,384	$ (325)	$ -	$ -	$ 86,059
Year ended December 31, 2009	$ 87,515	$ (1,131)	$ -	$ -	$ 86,384
Net Liabilities Associated with Discontinued Operations:					
Year ended December 31, 2011	$ -	$ -	$ -	$ -	$ -
Year ended December 31, 2010	$ 106	$ -	$ -	$ 106	$ -
Year ended December 31, 2009	$ 366	$ -	$ -	$ 260	$ 106

(a) Decrease due to deferred tax assets no longer required.