UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the quarterly period ended **June 30, 2013**

OR

[ ] Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.
For the transition period from:________to________

Commission File Number: **001-05270**

AMERICAN INDEPENDENCE CORP.

(Exact name of registrant as specified in its charter)

Delaware	**11-1817252**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
485 Madison Avenue, New York, NY	**10022**
(Address of principal executive offices)	(Zip Code)

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

Not Applicable
Former name, former address and former fiscal year, if changed since last report

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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 Exchange Act). Yes [ ] No [X]

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

Class	Outstanding at August 8, 2013
Common stock, $0.01 par value	**8,072,548 shares**

American Independence Corp. and Subsidiaries
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Copies of the Company's SEC filings can be found on its website at www.americanindependencecorp.com.

Forward-Looking Statements

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

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

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

PART I – FINANCIAL INFORMATION
Item 1. Financial Statements

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

		June 30, 2013 (Unaudited)		December 31, 2012
ASSETS:				
Investments:				
Securities purchased under agreements to resell	$	5,288	$	5,234
Trading securities		1,066		1,056
Fixed maturities available-for-sale, at fair value		67,129		58,329
Equity securities available-for-sale, at fair value		997		2,507
Total investments		74,480		67,126
Cash and cash equivalents		1,152		4,576
Restricted cash ($8,239 and $8,711, respectively, restricted by related parties)		10,554		13,321
Accrued investment income		601		755
Premiums receivable ($12,199 and $5,369, respectively, due from related parties)		17,267		10,387
Net deferred tax asset		11,891		13,024
Due from reinsurers ($3,476 and $3,016, respectively, due from related parties)		6,672		6,307
Goodwill		23,561		23,561
Intangible assets		2,752		3,379
Accrued fee income ($956 and $777, respectively, due from related parties)		2,459		3,122
Due from securities brokers		112		61
Other assets		12,888		13,364
TOTAL ASSETS	$	164,389	$	158,983
LIABILITIES AND STOCKHOLDERS' EQUITY:				
LIABILITIES:				
Insurance reserves ($16,241 and $12,378, respectively, due to related parties)	$	34,218	$	24,993
Premium and claim funds payable ($8,239 and $8,711, respectively, due to related parties)		10,554		13,321
Commission payable ($3,970 and $2,868, respectively, due to related parties)		5,837		4,329
Accounts payable, accruals and other liabilities ($1,308 and $1,317, respectively, due to related parties)		9,602		10,118
State income taxes payable		555		545
Due to securities brokers		171		22
Due to reinsurers ($546 and $432, respectively, due to related parties)		1,019		1,431
Total liabilities		61,956		54,759
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; 8,072,548 and 8,272,332 shares outstanding, respectively		92		92
Additional paid-in capital		479,456		479,451
Accumulated other comprehensive income (loss)		(1,030)		1,829
Treasury stock, at cost, 1,109,245 shares and 909,461 shares, respectively		(10,305)		(9,107)
Accumulated deficit		(365,915)		(368,113)
Total American Independence Corp. stockholders' equity		102,298		104,152
Non-controlling interest in subsidiaries		135		72
Total equity		102,433		104,224
TOTAL LIABILITIES AND EQUITY	$	164,389	$	158,983

See the accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
REVENUES:				
Premiums earned ($16,969, $9,151, $33,210 and $18,155, respectively, from related parties)	$ 31,618	$ 19,334	$ 61,614	$ 37,791
Fee and agency income ($3,467, $1,686, $4,628 and $2,885, respectively, from related parties)	4,688	3,739	8,935	6,867
Net investment income	501	500	1,005	996
Net realized investment gains	387	44	927	170
Total other-than-temporary impairment losses	-	(359)	-	(359)
Portion of losses recognized in other comprehensive income (loss)	-	170	-	170
Net impairment losses recognized in earnings	-	(189)	-	(189)
Other income	179	47	252	74
	37,373	23,475	72,733	45,709
EXPENSES				
Insurance benefits, claims and reserves ($9,147, $5,898, $17,358 and $11,487, respectively, from related parties)	20,194	14,266	41,427	25,957
Selling, general and administrative expenses ($7,414, $2,809, $9,501 and $5,929, respectively, from related parties)	14,397	8,417	27,001	17,010
Amortization and depreciation	256	45	484	90
	34,847	22,728	68,912	43,057
Income before income tax	2,526	747	3,821	2,652
Provision for income taxes	821	196	1,193	804
Net income	1,705	551	2,628	1,848
Less: Net income attributable to the non-controlling interest	(201)	(242)	(433)	(420)
Net income attributable to American Independence Corp.	$ 1,504	$ 309	$ 2,195	$ 1,428
Basic income per common share:				
Net income attributable to American Independence Corp. common stockholders	$ .19	$ .04	$ .27	$ .17
Weighted-average shares outstanding	8,073	8,272	8,079	8,272
Diluted income per common share:				
Net income attributable to American Independence Corp. common stockholders	$ .19	$ .04	$ .27	$ .17
Weighted-average diluted shares outstanding	8,076	8,272	8,079	8,272

See the accompanying Notes to Condensed Consolidated Financial Statements.

American Independence Corp. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	**2012**	**2013**	**2012**
Net Income	$ 1,705	$ 551	$ 2,628	$ 1,848
Other comprehensive income (loss):				
Unrealized holding gains (losses) arising during the period	(2,030)	674	(2,004)	589
Less: reclassification adjustment for gains included in net income	(361)	(86)	(855)	(155)
Other comprehensive income (loss)	(2,391)	588	(2,859)	434
Comprehensive income (loss)	(686)	1,139	(231)	2,282
Less: comprehensive income attributable to non-controlling interests	(201)	(242)	(433)	(420)
Comprehensive income (loss) attributable to American Independence Corp.	$ (887)	$ 897	$ (664)	$ 1,862

See the accompanying Notes to Condensed Consolidated Financial Statements.

American Independence Corp. and Subsidiaries
Condensed Consolidated Statement of Changes In Stockholders' Equity
Six Months Ended June 30, 2013
(In thousands)
(Unaudited)

	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, 2012	$ 92	$ 479,451	$ 1,829	$ (9,107)	$ (368,113)	$ 104,152	$ 72	$ 104,224
Net income					2,195	2,195	433	2,628
Other comprehensive income (loss)			(2,859)			(2,859)		(2,859)
Dividends paid to non-controlling interest							(367)	(367)
Repurchase of common stock				(1,198)		(1,198)		(1,198)
Share-based compensation expense		17				17		17
Other		(12)			3	(9)	(3)	(12)
BALANCE AT JUNE 30, 2013	$ 92	$ 479,456	$ (1,030)	$ (10,305)	$ (365,915)	$ 102,298	$ 135	$ 102,433

See the accompanying Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,628	$ 1,848
Adjustments to reconcile net income to net change in cash from operating activities:		
Net realized investment gains	(927)	(170)
Other-than-temporary impairment losses	-	189
Amortization and depreciation	484	90
Equity income	(242)	(29)
Deferred tax expense	1,148	769
Non-cash stock compensation expense	17	16
Amortization of bond premiums and discounts	346	-
Change in operating assets and liabilities:		
Change in trading securities	62	(82)
Change in insurance reserves	9,225	760
Change in net amounts due from and to reinsurers	(777)	219
Change in accrued fee income	663	(1,015)
Change in claims fund	(90)	(1,302)
Change in commissions payable	1,508	757
Change in premiums receivable	(6,880)	(876)
Change in income taxes	3	31
Distribution from interest in partnerships	-	86
Change in other assets and other liabilities	2,736	1,219
Net cash provided by operating activities	9,904	2,510
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in net amount due from and to securities brokers	98	229
Net sales of securities under resale and repurchase agreements	(54)	(2,448)
Sales of and principal repayments on fixed maturities	23,946	15,071
Maturities and other repayments of fixed maturities	2,436	1,512
Purchases of fixed maturities	(37,522)	(16,630)
Sales of equity securities	1,501	-
Cash paid in acquisitions, net of cash acquired	(1,250)	-
Change in loans receivable	(438)	-
Purchases of fixed assets	(138)	-
Net cash used by investing activities	(11,421)	(2,266)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of contingent liability on acquisition	(342)	-
Repurchases of common stock	(1,198)	-
Dividends paid to non-controlling interests	(367)	-
Net cash used by financing activities	(1,907)	-
Increase (decrease) in cash and cash equivalents	(3,424)	244
Cash and cash equivalents, beginning of period	4,576	1,748
Cash and cash equivalents, end of period	$ 1,152	$ 1,992
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during period for:		
Income taxes	$ 33	$ 4

See the accompanying Notes to Condensed Consolidated Financial Statements.

American Independence Corp. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Significant Accounting Policies and Practices

(A) Business and Organization

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; e) our wholly owned business development and program management company, IHC Specialty Benefits, Inc. ("Specialty Benefits"); f) our 40% ownership in Global Accident Facilities, LLC ("GAF"), a holding company for a managing general underwriting agency for non-subscriber occupational accident business; and g) our 90% ownership in IPA Family, LLC ("IPA"), a national career agent marketing organization.

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". Risk Solutions, Specialty Benefits, HIO and IPA are collectively referred to as "our Agencies".

Since November 2002, AMIC has been affiliated with Independence Holding Company ("IHC"), which owned 80.6% of AMIC's stock as of June 30, 2013. 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, long-term disability ("LTD") and group major medical.

(B) Basis of Presentation

The condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("U.S. 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. AMIC's annual report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission, should be read in conjunction with the accompanying condensed consolidated financial statements.

In the opinion of management, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation of the condensed consolidated financial position and results of operations for the interim periods have been included. The Condensed Consolidated Statements of Income for the six months ended June 30, 2013 is not necessarily indicative of the results to be anticipated for the entire year.

(C) Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In July 2013, the Financial Accounting Standards Board ("FASB"), issued guidance for the presentation of unrecognized tax benefits to better reflect the manner in which an entity would settle, at the reporting date, any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 31, 2013. The Company's presentation of unrecognized tax benefits is consistent with this guidance and therefore the adoption of such guidance will not have an effect on the Company's consolidated financial statements.

In July 2013, the FASB issued guidance that permits the Fed Funds Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes and removes the restriction on using different benchmark rates for similar hedges. This guidance is effective prospectively for qualifying new or re-designated hedging relationships entered into on or after July 17, 2013 and is not expected to have an impact on the Company's consolidated financial statements.

In February 2013, the FASB issued guidance requiring an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. For other amounts, an entity is required to cross-reference to other disclosures that provide additional detail about those amounts. The adoption of this guidance, effective January 1, 2013, only affected the Company's presentation of information pertaining to other comprehensive income (loss) and did not affect the Company's consolidated financial statements.

In July 2012, the FASB issued guidance to revise the subsequent measurement requirements for indefinite-lived intangible assets. In accordance with the amendments in this Update, an entity will have the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. An entity will be able to resume performing the qualitative assessment in any subsequent period. The adoption of this guidance, effective January 1, 2013, did not have a material effect on the Company's consolidated financial statements.

In December 2011 and March 2013, 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. The adoption of this guidance, effective January 1, 2013, did not have a material effect on the Company's consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

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. Management has not yet determined the impact that the adoption of this guidance will have on the Company's consolidated financial statements.

2. Income Per Common Share

Income per common share calculations are based on the weighted-average of common shares and common share equivalents outstanding during the year. Common stock options are considered to be common share equivalents and are used to calculate income per common share except when they are anti-dilutive. Included in the diluted earnings per share calculation for three months and six months ended June 30, 2013 are approximately 3,000 and 300 shares, respectively, from the assumed exercise of options using the treasury stock method. For the three months and six months ended June 30, 2012, shares from the assumed dilution due to the exercise of common stock options using the treasury stock method were deemed anti-dilutive. Net income does not change as a result of the assumed dilution of options.

3. Fee and Agency Income

The Company records fee income as corresponding policy premiums are earned. Risk Solutions is compensated in two ways. Risk Solutions earns fee income based on the volume of business produced for marketing, underwriting and administrative services that they provide for their carriers ("fee income–administration"), and earns profit-sharing commissions if such business exceeds certain profitability benchmarks ("fee income–profit commissions"). 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 vary greatly 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 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Agency income	$ 2,469	$ 2,148	$ 4,800	$ 3,947
Fee income–administration	1,882	1,190	3,665	2,461
Fee income– profit commissions	337	401	470	459
	$ 4,688	$ 3,739	$ 8,935	$ 6,867

4. 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 (in thousands):

	JUNE 30, 2013			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	$ 32,148	$ 269	$ (1,050)	$ 31,367
Foreign securities	2,684	22	(115)	2,591
Collateralized mortgage obligations (CMO) – residential	496	5	-	501
CMO – commercial	390	-	(162)	228
States, municipalities and political subdivisions	22,182	198	(406)	21,974
U.S. Government	9,435	164	(66)	9,533
Government sponsored enterprise (GSE)	459	5	(10)	454
Agency mortgage backed pass through securities (MBS)	119	-	(1)	118
Redeemable preferred stocks	274	89	-	363
Total fixed maturities	$ 68,187	$ 752	$ (1,810)	$ 67,129
EQUITY SECURITIES AVAILABLE-FOR-SALE:				
Nonredeemable preferred stocks	969	28	-	997
Total available-for-sale equity securities	$ 969	$ 28	$ -	$ 997

	DECEMBER 31, 2012			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
***FIXED MATURITIES* AVAILABLE-FOR-SALE:**				
Corporate securities	$ 33,015	$ 883	$ (112)	$ 33,786
CMO - residential	842	222	-	1,064
CMO – commercial	390	-	(162)	228
States, municipalities and political subdivisions	9,630	398	(21)	10,007
U.S. Government	6,217	216	-	6,433
GSE	6,042	250	-	6,292
MBS	151	12	-	163
Redeemable preferred stocks	273	83	-	356
Total fixed maturities	$ 56,560	$ 2,064	$ (295)	$ 58,329
***EQUITY SECURITIES* AVAILABLE-FOR-SALE**				
Nonredeemable preferred stocks	2,447	60	-	2,507
Total available-for-sale equity securities	$ 2,447	$ 60	$ -	$ 2,507

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

The amortized cost and fair value of fixed maturities at June 30, 2013, 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. CMOs and MBSs are shown separately, as they are not due at a single maturity.

	AMORTIZED COST	FAIR VALUE
	(In thousands)	
Due in one year or less	$ 845	$ 866
Due after one year through five years	17,671	17,935
Due after five years through ten years	22,266	21,470
Due after ten years	25,941	25,557
CMOs and MBSs	1,464	1,301
	$ 68,187	$ 67,129

The following tables summarize, for all securities in an unrealized loss position at June 30, 2013 and December 31, 2012, 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):

	June 30, 2013					
	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	$ 22,585	$ 1,050	$ -	$ -	$ 22,585	$ 1,050
Foreign securities	1,345	115	-	-	1,345	115
CMO – commercial	-	-	228	162	228	162
U.S. Government	3,161	66	-	-	3,161	66
MBS	118	1	-	-	118	1
GSE	378	10	-	-	378	10
States, municipalities and political subdivisions	18,800	406	-	-	18,800	406
Total fixed maturities	$ 46,387	$ 1,648	$ 228	$ 162	$ 46,615	$ 1,810
Number of securities in an unrealized loss position	36		1		37	

	December 31, 2012					
	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	$ 12,378	$ 112	$ -	$ -	$ 12,378	$ 112
CMO – commercial	-	-	228	162	228	162
States, municipalities and political subdivisions	3,760	21	-	-	3,760	21
Total fixed maturities	$ 16,138	$ 133	$ 228	$ 162	$ 16,366	$ 295
Number of securities in an unrealized loss position	14		1		15	

Substantially all of the unrealized losses on fixed maturities at June 30, 2013 and December 31, 2012 were attributable to changes in market interest rates subsequent to purchase. 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 June 30, 2013.

Other-Than-Temporary Impairment Evaluations

For other-than-temporary impairment losses, we recognize an other-than-temporary impairment loss in earnings in the period that we determine: 1) we intend to sell the security; 2) it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis; or 3) the security has a credit loss. Any non-credit portion of the other-than-temporary impairment loss is recognized in other comprehensive income (loss). For the six months ended June 30, 2013 and 2012, there were no other-than-temporary impairments recognized in earnings.

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 (loss) were $288,000 as of June 30, 2013 and December 31, 2012.

5. Net Realized Investment Gains

Net realized investment gains for the three months and six months ended June 30, 2013 and 2012 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Available-for-sale securities:				
Fixed maturities	$ 361	$ 86	$ 832	$ 155
Common stock	-	-	-	-
Preferred stock	-	-	23	-
Total available-for-sale securities	361	86	855	155
Trading securities	53	(20)	59	14
Unrealized gain (loss) on trading securities:				
Available-for-sale securities transferred to trading category on January 1, 2012	-	-	-	20
Change in unrealized gain on trading securities	(27)	(22)	13	(19)
Total unrealized gain (loss) on trading securities	(27)	(22)	13	1
Net realized investment gains	$ 387	$ 44	$ 927	$ 170

For the three months and six months ended June 30, 2013, the Company recorded realized gross gains of $409,000 and $928,000, respectively, and gross losses of $48,000 and $73,000, respectively, on available-for-sale securities. For the three months and six month ended June 30, 2012, the Company recorded realized gross gains of $180,000 and $299,000, respectively, and gross losses of $94,000 and $144,000, respectively, on available-for-sale securities.

On January 1, 2012, the Company transferred equity securities previously classified as available-for-sale into the trading category and, as a result, recognized $42,000 of gross gains and $22,000 of gross losses in net realized investment gains on the accompanying Condensed Consolidated Statements of Income. These gains and losses were previously included in accumulated other comprehensive income (loss) on the accompanying Condensed Consolidated Balance Sheet at December 31, 2011.

6. 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 CMO securities backed by 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. Significant unobservable inputs used in the fair value measurement of CMO's are prepayment rates, probability of default, and loss severity in the event of default. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for loss severity and a directionally opposite change in the assumption used for prepayment rates. Further we retain independent pricing vendors to assist in valuing certain instruments.

Trading securities

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

The following tables present our financial assets measured at fair value on a recurring basis at June 30, 2013 and December 31, 2012, respectively (in thousands):

	June 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	$ -	$ 31,367	$ -	$ 31,367
Foreign securities	-	2,591	-	2,591
CMO - residential	-	501	-	501
CMO – commercial	-	-	228	228
States, municipalities and political subdivisions	-	21,974	-	21,974
U.S. Government	-	9,533	-	9,533
GSE	-	454	-	454
MBS - residential	-	118	-	118
Redeemable preferred stocks	363	-	-	363
Total fixed maturities	363	66,538	228	67,129
Equity securities available-for-sale:				
Nonredeemable preferred stocks	997	-	-	997
Total equity securities	997	-	-	997
Trading securities:				
Common Stock	1,066	-	-	1,066
Total trading securities	1,066	-	-	1,066
Total financial assets	$ 2,426	$ 66,538	$ 228	$ 69,192

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	$ -	$ 33,786	$ -	$ 33,786
CMO - residential	-	656	408	1,064
CMO – commercial	-	-	228	228
States, municipalities and political subdivisions	-	10,007	-	10,007
U.S. Government	-	6,433	-	6,433
GSE	-	6,292	-	6,292
MBS	-	163	-	163
Redeemable preferred stocks	356	-	-	356
Total fixed maturities	356	57,337	636	58,329
Equity securities available-for-sale:				
Nonredeemable preferred stocks	2,507	-	-	2,507
Total equity securities	2,507	-	-	2,507
Trading securities:				
Common stock	1,056	-	-	1,056
Total trading securities	1,056	-	-	1,056
Total financial assets	$ 3,919	$ 57,337	$ 636	$ 61,892

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 six months ending June 30, 2013, 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 during the six months ended June 30, 2013 or 2012. 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 the six months ended June 30, 2013 or 2012. The changes in the carrying value of Level 3 assets and liabilities for the three months and six months ended June 30, 2013 and 2012 are summarized as follows (in thousands):

	Three Months Ended June 30, 2013		
	CMOs		
	Residential	Commercial	Total
Balance, beginning of period	$ -	$ 230	$ 230
Net unrealized loss included in accumulated other comprehensive income (loss)	-	(2)	(2)
Balance, end of period	$ -	$ 228	$ 228

	Three Months Ended June 30, 2012		
	CMOs		
	Residential	Commercial	Total
Balance, beginning of period	$ 397	$ 213	$ 610
Repayments of fixed maturities	(18)	-	(18)
Other-than-temporary impairment losses	-	(189)	(189)
Net unrealized gain included in accumulated other comprehensive income (loss)	12	196	208
Balance, end of period	$ 391	$ 220	$ 611

	Six Months Ended June 30, 2013		
	CMOs		
	Residential	Commercial	Total
Balance, beginning of period	$ 408	$ 228	$ 636
Sales of securities	(415)	-	(415)
Repayments of fixed maturities	(9)	-	(9)
Net realized investment gains	225	-	225
Net unrealized loss included in accumulated other comprehensive income (loss)	(209)	-	(209)
Balance, end of period	$ -	$ 228	$ 228

	Six Months Ended June 30, 2012		
	CMOs		
	Residential	Commercial	Total
Balance, beginning of period	$ 864	$ 215	$ 1,079
Sales of securities	(432)	-	(432)
Repayments of fixed maturities	(57)	-	(57)
Net realized investment losses	(41)	-	(41)
Other-than-temporary impairment losses	-	(189)	(189)
Net unrealized gain included in accumulated other comprehensive income (loss)	57	194	251
Balance, end of period	$ 391	$ 220	$ 611

7. Other Intangible Assets

The change in the carrying amount of other intangible assets for the three months and six months ended June 30, 2013 and 2012 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Balance, beginning of period	$ 2,988	$ 872	$ 3,379	$ 906
Adjustment for contingent payment	-	-	(183)	-
Amortization expense	(236)	(30)	(444)	(64)
Balance, end of period	$ 2,752	$ 842	$ 2,752	$ 842

In July 2012, AMIC acquired the assets and renewal contract rights of a MGU of medical stop-loss business for an aggregate purchase price of $1,825,000. The purchase price consisted of $1,300,000 in cash and $525,000 in contingent consideration expected to be paid in early 2013 based on expected growth in the acquired block of business. AMIC recorded other intangible assets representing broker relationships, which will be amortized over a weighted average period of 7.0 years. In accordance with the terms of the agreement, the fair value of the contingent liability was re-measured in the first quarter of 2013 resulting in a cash payment of $342,000 and a $183,000 decrease in the related intangible asset.

8. Related-Party Transactions

AMIC and its subsidiaries incurred expense of $210,000 and $282,000 for the three months ended June 30, 2013 and 2012, respectively, and $439,000 and $589,000 for the six months ended June 30, 2013 and 2012, respectively, from service agreements with IHC and its subsidiaries which is recorded in Selling, General and Administrative Expenses in the Condensed Consolidated Statements of Income. These payments reimburse IHC and its subsidiaries, at agreed upon rates including an overhead factor, for certain services provided to AMIC and its subsidiaries, including general management, corporate strategy, accounting, legal, compliance, underwriting, and claims.

Independence American assumes premiums from IHC subsidiaries, 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 and medical stop-loss business written and assumed by Independence American. Additionally, Risk Solutions markets, underwrites and provides administrative services, and also provides 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. Such related-party information is disclosed on the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Income. 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.

9. Share-Based Compensation

Total share-based compensation expense was $9,000 and $8,000 for the three months ended June 30, 2013 and 2012, respectively, and $17,000 and $16,000 for the six months ended June 30, 2013 and 2012, respectively. Related tax benefits of $3,000 and $3,000 were recognized for the three months ended June 30, 2013 and 2012, respectively, and $6,000 and $6,000 for the six months ended June 30, 2013 and 2012, respectively.

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

Stock Options

The following table summarizes information regarding outstanding and exercisable options as of June 30, 2013:

	Outstanding	Exercisable
Number of options	222,285	202,284
Weighted average exercise price per share	$ 11.46	$ 11.95
Aggregate intrinsic value of options	$ 62,000	$ 53,000
Weighted average contractual term remaining	3.28 years	2.68 years

The Company's stock option activity for the six months ended June 30, 2013 is as follows:

	No. of Shares Under Option	Weighted Average Exercise Price
Balance, December 31, 2012	227,285	$ 11.40
Expired	(18,334)	7.50
Granted	13,334	7.01
Balance, June 30, 2013	222,285	$ 11.46

The fair value of an option award is estimated on the date of grant using the Black-Scholes option valuation model. The weighted average grant-date fair-value of options granted during the six months ended June 30, 2013 was $4.04 per share. No options were granted in 2012. The assumptions set forth in the table below were used to value the stock options granted during the six months ended June 30, 2013:

	June 30, 2013
Weighted-average risk-free interest rate	2.30%
Annual dividend rate per share	$ -
Weighted-average volatility factor of the Company's common stock	45.00
Weighted-average expected term of options	5 years

Compensation expense of $9,000 and $8,000 was recognized for the three months ended June 30, 2013 and 2012, respectively, and $17,000 and $16,000 for the six months ended June 30, 2013 and 2012, respectively, for the portion of the fair value of stock options vesting during that period.

As of June 30, 2013, there was approximately $84,000 of total unrecognized compensation expense related to non-vested options which will be recognized over the remaining requisite service periods.

10. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) include (i) net income or loss reported in the Condensed Consolidated Statements of Income, (ii) certain amounts reported directly in stockholders' equity, principally the 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.

Included in accumulated other comprehensive income (loss) at June 30, 2013 and December 31, 2012 are adjustments of $269,000 related to the non-credit related component of other-than-temporary impairment losses recorded.

11. Income Taxes

The provision for income taxes shown in the Condensed Consolidated Statements of Income was computed based on the Company's actual results which approximate the effective tax rate expected to be applicable for the balance of the current fiscal year. At June 30, 2013, the Company had consolidated net operating loss ("NOL") carryforwards of approximately $269,415,000 for federal income tax purposes expiring in varying amounts through the year 2031 with a significant portion expiring in 2021.

The net deferred tax assets shown in the Condensed Consolidated Balance Sheets for the periods ending June 30, 2013 and December 31, 2012 are $11,891,000 and $13,024,000, respectively. 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. The Internal Revenue Service ("IRS") has previously audited the Company's 2003, 2004 and 2009 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. Management believes that it is more likely than not that the Company will realize the benefits of these net deferred tax assets recorded at June 30, 2013.

12. Repurchase of Common Stock

In accordance with the Company's Share Repurchase Program, the Company repurchased 199,784 shares of its common stock at a cost of $1,198,000 during January 2013. As of June 30, 2013, 500,000 shares were still authorized to be repurchased under the program.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of American Independence Corp. ("AMIC") and its subsidiaries (collectively, the "Company") should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of the Company and the related Notes thereto appearing in our annual report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission, and our condensed consolidated financial statements and related Notes thereto appearing elsewhere in this quarterly report.

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 wholly owned business development and program management company, IHC Specialty Benefits, Inc. ("Specialty Benefits"), our full service direct writer of medical-stop insurance for self-insured employer groups IHC Risk Solutions, LLC ("Risk Solutions"), our 40% ownership in Global Accident Facilities, LLC ("GAF"), a holding company for a managing general underwriting agency for non-subscriber occupational accident business, our 23% investment in Majestic Underwriters LLC ("Majestic"), and our two insurance and marketing agencies, IPA Family, LLC ("IPA") and HealthInsurance.org ("HIO"). Since November 2002, AMIC has been affiliated with Independence Holding Company ("IHC"), which owned 80.6% of AMIC's stock as of June 30, 2013. The senior management of IHC provides direction to the Company through a service agreement between the Company and IHC. As of June 30, 2013, 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 reinsurance treaties to cede its gross medical stop-loss premiums written to Independence American. In addition, Independence American assumes fully insured health, short-term statutory disability benefit product in New York State ("DBL") and long-term disability ("LTD") premiums from IHC, and assumes medical stop-loss premiums from unaffiliated carriers. Independence American writes group major medical, medical stop-loss, major medical plans for individuals and families, short-term medical, dental, and began writing pet insurance in 2012. Given its broad licensing, A- (Excellent) rating from A.M. Best, and that it is the only property and casualty company in IHC, Independence American expects to expand the distribution of its international health, occupational accident, and pet insurance products.

While management considers a wide range of factors in its strategic planning, the overriding consideration is underwriting profitability. Management's assessment of trends in health and pet insurance markets play a significant role in determining whether to expand Independence American's 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.

Independence American Insurance Company

Independence American, which is domiciled in Delaware, is licensed to write property and/or casualty insurance in all 50 states and the District of Columbia, and has an A- (Excellent) rating from 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 toward protection of investors. A.M. Best's ratings are not recommendations to buy, sell or hold securities of the Company. Independence American's unaudited statutory capital and surplus as of June 30, 2013 was $56,226,000.

Risk Solutions

Risk Solutions has offices near Hartford, Connecticut, Philadelphia, Pennsylvania, Chicago, Illinois, and Ft. Wayne, Indiana 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 three other carriers, including Madison National Life Insurance Company, Inc. ("Madison National Life") and Independence American.

Agencies

The Company has a 51% interest in HIO, which is headquartered in Minneapolis, Minnesota. HIO is an insurance and marketing agency through its well-established internet domain address: www.healthinsurance.org. This domain generates hundreds of daily leads from individuals and small employers seeking affordable health insurance solutions. The Company owns Specialty Benefits, which is headquartered in Minneapolis, Minnesota. Specialty Benefits is a business development and program management company. The Company has a 90% interest in IPA which is headquartered in Tampa, Florida. IPA is a national, career agent marketing organization which operates under a controlled career agent distribution model in which independent producers sell products approved by IPA and AMIC.

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

The results of operations for the three months and six months ended June 30, 2013 and 2012 are summarized as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues	$ 37,373	$ 23,475	$ 72,733	$ 45,709
Expenses	34,847	22,728	68,912	43,057
Income before income tax	2,526	747	3,821	2,652
Provision for income taxes	821	196	1,193	804
Net income	1,705	551	2,628	1,848
Less: Net income attributable to the non-controlling interest	(201)	(242)	(433)	(420)
Net income attributable to American Independence Corp.	$ 1,504	$ 309	$ 2,195	$ 1,428

- The book value of the Company increased to $12.67 per share at June 30, 2013 compared to $12.59 per share at December 31, 2012.
- The Company repurchased 199,784 shares of its common stock at a cost of $1,198,000 during the six months ended June 30, 2013.
- Net income per share increased to $.19 per share, diluted, or $1.5 million, for the three months ended June 30, 2013, compared to $.04 per share, diluted, or $0.3 million for the three months ended June 30, 2012. Net income per share increased to $.27 per share, diluted, or $2.2 million, for the six months ended June 30, 2013, compared to $.17 per share, diluted, or $1.4 million for the three months ended June 30, 2012.
- At June 30, 2013, 99.4% of the Company's fixed maturities were investment grade.
- Consolidated investment yields were 3.2% and 3.1% for the six months ended June 30, 2013 and 2012, respectively.
- Premiums earned increased 63% to $61.6 million for the six months ended June 30, 2013 compared to $37.8 million for the six months ended June 30, 2012, primarily due to higher pet premiums, higher direct and assumed medical stop-loss premiums, higher assumed international premiums, higher group disability premiums, and higher assumed group major medical premiums.
- For the six months ended June 30, 2013, our Agencies generated revenues of $9.2 million compared to $6.9 million for the six months ended June 30, 2012 due to higher revenues generated at HIO, Risk Solutions and Specialty Benefits.
- Underwriting experience as indicated by GAAP Combined Ratios, on our three lines of business for the three months and six months ended June 30, 2013 and 2012, are as follows (in thousands):

▪ **Medical Stop-Loss**	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Premiums Earned	$ 14,228	$ 11,620	$ 28,102	$ 22,671
Insurance Benefits Claims and Reserves	8,219	9,191	18,897	15,833
Profit Commission Expense (Recovery)	1,273	(647)	1,641	(397)
Expenses	3,597	3,173	7,018	6,180
Loss Ratio (A)	57.8%	79.1%	67.2%	69.8%
Profit Commission Expense Ratio (B)	8.9%	-5.6%	5.8%	-1.8%
Expense Ratio (C)	25.3%	27.3%	25.0%	27.3%
Combined Ratio (D)	92.0%	100.8%	98.0%	95.3%

▪ **Fully Insured Health**	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2013	**2012**	**2013**	**2012**
Premiums Earned	$ 15,935	$ 6,952	$ 30,892	$ 13,596
Insurance Benefits Claims and Reserves	11,035	4,608	20,914	9,202
Profit Commission Expense (Recovery)	17	125	307	122
Expenses	4,148	1,512	7,756	2,979
Loss Ratio(A)	69.3%	66.3%	67.7%	67.7%
Profit Commission Expense Ratio (B)	0.1%	1.8%	1.0%	0.9%
Expense Ratio (C)	26.0%	21.7%	25.1%	21.9%
Combined Ratio (D)	95.4%	89.8%	93.8%	90.5%

▪ **Group Disability**	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2013	**2012**	**2013**	**2012**
Premiums Earned	$ 1,455	$ 762	$ 2,620	$ 1,524
Insurance Benefits Claims and Reserves	940	467	1,616	922
Expenses	511	263	739	510
Loss Ratio(A)	64.6%	61.3%	61.7%	60.5%
Expense Ratio (C)	35.1%	34.5%	28.2%	33.5%
Combined Ratio (D)	99.7%	95.8%	89.9%	94.0%

(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 three months and six months ended June 30, 2013. This is due to better claims experience on direct business.

- The Company recorded an increase in the loss ratio in the fully insured health line of business for the three months ended June 30, 2013 primarily due to an increase in the claims experience on major medical business for small groups and individuals.

- The Company experienced a higher loss ratio for group disability for the three months and six months ended June 30, 2013 as a result of unfavorable claims experience.

Critical Accounting Policies

The accounting and reporting policies of the Company conform to U.S. generally accepted accounting principles ("U.S. GAAP"). The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. A summary of the Company's significant accounting policies and practices is provided in Note 1 of the Notes to the Consolidated Financial Statements included in Item 8 of the Annual Report on Form 10-K for the year ended December 31, 2012. Management has identified the accounting policies related to Insurance Reserves, Premium and Fee income Revenue Recognition, Reinsurance, Income Taxes, Investments, Goodwill and Other Intangibles as those that, due to the judgments, estimates and assumptions inherent in those policies, are critical to an understanding of the Company's condensed consolidated financial statements and this Management's Discussion and Analysis. A full discussion of these policies is included under Critical Accounting Policies in Item 7 of the Annual Report on Form 10-K for the year ended December 31, 2012. During the three months ended June 30, 2013, there were no additions to or changes in the critical accounting policies disclosed in the Form 10-K for the year ended December 31, 2012 except for the recently adopted accounting standards discussed in Note 1(C) of the Notes to the Condensed Consolidated Financial Statements.

Results of Operations for the Three Months Ended June 30, 2013, Compared to the Three Months Ended June 30, 2012.

June 30, 2013 (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	$	14,228	-	279	8,219	4,870	-	$	1,418
Fully Insured Health		15,935	-	172	11,035	4,165	-		907
Group Disability		1,455	-	16	940	511	-		20
Total Independence American		31,618	-	467	20,194	9,546	-		2,345
Risk Solutions And Agencies		-	4,867	31	-	4,523	256		119
Corporate		-	-	3	-	328	-		(325)
Subtotal	$	31,618	4,867	501	20,194	14,397	256		2,139
Net realized investment gains									387
Income before income taxes									2,526
Income taxes									(821)
Net income									1,705
Less: Net income attributable to the non-controlling interest									(201)
Net income attributable to American Independence Corp.								$	1,504

June 30, 2012 (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	$	11,620	-	337	9,191	2,526	-	$	240
Fully Insured Health		6,952	-	94	4,608	1,637	-		801
Group Disability		762	-	14	467	263	-		46
Total Independence American		19,334	-	445	14,266	4,426	-		1,087
Risk Solutions and Agencies		-	3,786	42	-	3,580	45		203
Corporate		-	-	13	-	411	-		(398)
Subtotal	$	19,334	3,786	500	14,266	8,417	45		892
Net realized investment gains									44
Other-than-temporary impairment losses									(189)
Income before income taxes									747
Income taxes									(196)
Net income									551
Less: Net income attributable to the non-controlling interest									(242)
Net income attributable to American Independence Corp.								$	309

Premiums Earned. Premiums earned increased 64%, or $12,284,000 from 2012 to 2013. The Company currently has three lines of business. Premiums relating to medical stop-loss business increased $2,608,000. This is due to an increase of $2,733,000 in medical stop-loss premiums assumed by Independence American. Premiums relating to fully insured health consisting of group major medical, limited medical, short-term medical, dental, vision, hospital indemnity, pet insurance, international medical, and individual health increased $8,983,000. The increase is primarily due an increase of $4,483,000 in pet premiums, an increase of $2,762,000 in group major medical premiums assumed by Independence American, and an increase of $1,250,000 in international medical premiums assumed by Independence American. Premiums relating to group disability increased $693,000 due to higher DBL and LTD premiums assumed by Independence American. For the three months ended June 30, 2013, Independence American assumed 10% of IHC's short-term medical business, approximately 8% of certain of IHC's group major medical business, 20% of IHC's DBL business, 8% of certain of IHC's LTD business, and approximately 26% 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 increased $949,000 from 2012 to 2013. Risk Solutions fee income-administration increased $692,000 to $1,882,000 for 2013, compared to $1,190,000 for 2012. Risk Solutions fee income-profit commission decreased $64,000 to $337,000 for 2013, compared to $401,000 for 2012. 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 2013 are based on business written during portions of 2010, 2011 and 2012. In 2013, agency income consisted of commission income and other fees of $993,000 from IPA and revenue of $1,062,000 and $414,000 from HIO and Specialty Benefits, respectively. In 2012, agency income consisted of commission income and other fees of $1,113,000 from IPA and revenue of $809,000 and $226,000 from HIO and Specialty Benefits, respectively.

Net Investment Income. Net investment income increased $1,000 from 2012 to 2013. The consolidated investment yields were 3.4% and 3.1% for the three months ended June 30, 2013 and 2012, respectively.

Net Realized Investment Gains and Other-Than-Temporary Impairment Losses. The Company recorded a net realized investment gain of $387,000 for the three months ended June 30, 2013, compared to a gain of $44,000 for the three months ended June 30, 2012. 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 three months ended June 30, 2013 and 2012, the Company recorded $0 and $189,000, respectively, of other-than-temporary-impairment losses. 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 $132,000 from 2012 to 2013 due to income from our new equity investment in GAF for the three months ended June 30, 2013, compared to the three months ended June 30, 2012.

Insurance Benefits, Claims and Reserves. Insurance benefits claims and reserves increased 42%, or $5,928,000 from 2012 to 2013. The increase is primarily due to an increase in assumed group major medical of $2,371,000 due to higher premiums assumed and a higher loss ratio, an increase in direct pet insurance of $2,941,000 due to higher premiums written, an increase in assumed medical stop-loss of $2,800,000 due to an increase in premiums assumed and a higher loss ratio, an increase in assumed international medical of $677,000 due to higher premiums assumed, and an increase in DBL of $375,000 due to an increase in premiums assumed and a higher loss ratio, offset by a decrease in direct medical stop-loss of $3,772,000 due to a decrease in premiums written and a lower loss ratio.

Selling, General and Administrative. Selling, general and administrative expenses increased $5,980,000 from 2012 to 2013. This increase is primarily due to higher commission expense of $2,768,000 at Independence American due to higher assumed fully insured premiums, higher pet premiums, and higher assumed stop-loss premiums, higher profit commission expense of $1,812,000 at Independence American due to payments made for direct medical stop loss business, higher administration expense of $456,000 at Independence American primarily due to higher fees for direct pet insurance written, higher expenses of $334,000 due to the formation of Specialty Benefits in May 2012, higher expenses at Risk Solutions of $386,000 primarily due to higher salary expense and travel expense related to an increase in sales, and higher expenses at HIO of $325,000 due to higher referral fees, offset by lower expenses at IPA of $100,000 primarily due to lower commissions.

Amortization and Depreciation. Amortization and depreciation expense increased $211,000 from 2012 to 2013, primarily due to the amortization of intangible assets acquired in the 4th quarter of 2012.

Income Taxes. The provision for income taxes increased $625,000 to $821,000, an effective rate of 35.3%, for the three months ended June 30, 2013, compared to $196,000, an effective rate of 38.8%, for the three months ended June 30, 2012. Net income for the three months ended June 30, 2013 and 2012 includes a non-cash provision for federal income taxes of $779,000 and $152,000, respectively. The state tax effective rate decreased to 0.3% for the three months ended June 30, 2013, compared to 7.5% for the three months ended June 30, 2012. 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 $41,000 from 2012 to 2013. The net income for the three months ended June 30, 2013 and 2012 relates to the 49% non-controlling interest in HIO and the 10% non-controlling interest in IPA.

Net Income attributable to American Independence Corp. The net income attributable to the Company increased to $1,504,000, or $.19 per share, diluted, for the three months ended June 30, 2013, compared to $309,000, or $.04 per share, diluted, for the three months ended June 30, 2012.

Results of Operations for the Six Months Ended June 30, 2013, Compared to the Six Months Ended June 30, 2012.

June 30, 2013 (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	$	28,102	-	576	18,897	8,659	-	$	1,122
Fully Insured Health		30,892	-	312	20,914	8,063	-		2,227
Group Disability		2,620	-	31	1,616	739	-		296
Total Independence American		61,614	-	919	41,427	17,461	-		3,645
Risk Solutions And Agencies		-	9,187	59	-	8,861	484		(99)
Corporate		-	-	27	-	679	-		(652)
Subtotal	$	61,614	9,187	1,005	41,427	27,001	484		2,894
Net realized investment gains									927
Income before income taxes									3,821
Income taxes									(1,193)
Net income									2,628
Less: Net income attributable to the non-controlling interest									(433)
Net income attributable to American Independence Corp.								$	2,195

June 30, 2012 (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	$	22,671	-	650	15,833	5,783	-	$	1,705
Fully Insured Health		13,596	-	204	9,202	3,101	-		1,497
Group Disability		1,524	-	29	922	510	-		121
Total Independence American		37,791	-	883	25,957	9,394	-		3,323
Risk Solutions and Agencies		-	6,941	84	-	6,819	90		116
Corporate		-	-	29	-	797	-		(768)
Subtotal	$	37,791	6,941	996	25,957	17,010	90		2,671
Net realized investment gains									170
Other-than-temporary impairment losses									(189)
Income before income taxes									2,652
Income taxes									(804)
Net income									1,848
Less: Net income attributable to the non-controlling interest									(420)
Net income attributable to American Independence Corp.								$	1,428

Premiums Earned. Premiums earned increased 63%, or $23,823,000 from 2012 to 2013. The Company currently has three lines of business. Premiums relating to medical stop-loss business increased $5,431,000. This is due to an increase of $4,603,000 in medical stop-loss premiums assumed by Independence American, and an increase of $828,000 in medical stop-loss premiums written by Independence American. Premiums relating to fully insured health consisting of group major medical, limited medical, short-term medical, dental, vision, hospital indemnity, pet insurance, international medical, and individual health increased $17,296,000. The increase is primarily due to an increase of $7,804,000 in pet premiums, an increase of $5,808,000 in group major medical premiums assumed by Independence American, and an increase of $2,241,000 in international medical premiums assumed by Independence American. Premiums relating to group disability increased $1,096,000 primarily due to higher DBL and LTD premiums assumed by Independence American. For the six months ended June 30, 2013, Independence American assumed 10% of IHC's short-term medical business, approximately 8% of certain of IHC's group major medical business, 20% of IHC's DBL business, 8% of certain of IHC's LTD business, and approximately 26% 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 increased $2,068,000 from 2012 to 2013. Risk Solutions fee income-administration increased $1,204,000 to $3,665,000 for 2013, compared to $2,461,000 for 2012. Risk Solutions fee income-profit commission increased $11,000 to $470,000 for 2013, compared to $459,000 for 2012. 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 2013 are based on business written during portions of 2010, 2011 and 2012. In 2013, agency income consisted of commission income and other fees of $1,931,000 from IPA and revenue of $2,101,000 and $768,000 from HIO and Specialty Benefits, respectively. In 2012, agency income consisted of commission income and other fees of $2,259,000 from IPA and revenue of $1,462,000 and $226,000 from HIO and Specialty Benefits, respectively.

Net Investment Income. Net investment income increased $9,000 from 2012 to 2013. The consolidated investment yields were 3.2% and 3.1% for the six months ended June 30, 2013 and 2012, respectively.

Net Realized Investment Gains and Other-Than-Temporary Impairment Losses. The Company recorded a net realized investment gain of $927,000 for the six months ended June 30, 2013, compared to a gain of $170,000 for the six months ended June 30, 2012. 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 six months ended June 30, 2013 and 2012, the Company recorded $0 and $189,000, respectively, of other-than-temporary-impairment losses. 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 $178,000 from 2012 to 2013 due to income from our new equity investment in GAF for the six months ended June 30, 2013, compared to the six months ended June 30, 2012.

Insurance Benefits, Claims and Reserves. Insurance benefits claims and reserves increased 60%, or $15,470,000 from 2012 to 2013. The increase is primarily due to an increase in direct pet insurance of $5,043,000 due to a higher premiums written, an increase in assumed group major medical of $4,948,000 due to higher premiums assumed and a higher loss ratio, an increase in assumed medical stop-loss of $4,718,000 due to an increase in premiums assumed and a higher loss ratio, an increase in assumed international medical of $1,136,000 due to higher premiums assumed, and an increase in DBL of $553,000 due to higher premiums assumed and a higher loss ratio, offset by a decrease in direct medical stop-loss of $1,654,000 due to a lower loss ratio.

Selling, General and Administrative. Selling, general and administrative expenses increased $9,991,000 from 2012 to 2013. This increase is primarily due to higher commission expense of $4,846,000 at Independence American due to higher assumed fully insured premiums, higher pet premiums, higher international medical premiums, and higher assumed stop-loss premiums, higher profit commission expense of $2,223,000 at Independence American due to payments made for assumed group major medical, and direct medical stop loss, higher expenses of $964,000 due to the formation of Specialty Benefits in May 2012, higher expenses at Risk Solutions of $947,000 primarily due to higher salary expense and travel expense related to an increase in sales, higher administration expense of $923,000 at Independence American primarily due to higher direct pet insurance premiums written, and higher expenses at HIO of $569,000 due to higher referral fees, offset by lower expenses at IPA of $438,000 primarily due to lower agent expenses.

Amortization and Depreciation. Amortization and depreciation expense increased $394,000 from 2012 to 2013, primarily due to the amortization of intangible assets acquired in the 4th quarter of 2012.

Income Taxes. The provision for income taxes increased $389,000 to $1,193,000, an effective rate of 35.2%, for the six months ended June 30, 2013, compared to $804,000, an effective rate of 36.0%, for the six months ended June 30, 2012. Net income for the six months ended June 30, 2013 and 2012 includes a non-cash provision for federal income taxes of $1,132,000 and $710,000, respectively. The state tax effective rate decreased to 0.4% for the six months ended June 30, 2013, compared to 2.8% for the six months ended June 30, 2012. 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 $13,000 from 2012 to 2013. The net income for the six months ended June 30, 2013 and 2012 relates to the 49% non-controlling interest in HIO and the 10% non-controlling interest in IPA.

Net Income attributable to American Independence Corp. The net income attributable to the Company increased to $2,195,000, or $.27 per share, diluted, for the six months ended June 30, 2013, compared to $1,428,000, or $.17 per share, diluted, for the six months ended June 30, 2012.

LIQUIDITY

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 six months ended June 30, 2013, Independence American and our Agencies paid $470,000 in dividends to Corporate.

Cash Flows

As of June 30, 2013, the Company had $75,573,000 of cash, cash equivalents, and investments net of amounts due to/from securities brokers compared with $71,741,000 as of December 31, 2012. This is due to an increase in investments resulting from increased business in 2013.

Net cash provided by operating activities of continuing operations for the six months ended June 30, 2013 was $9,904,000, net cash used by investing activities of continuing operations for the six months ended June 30, 2013 was $11,421,000, and net cash used by financing activities of continuing operations for the six months ended June 30, 2013 was $1,907,000.

At June 30, 2013 and December 31, 2012, the Company had $10,554,000 and $13,321,000 of restricted cash at Risk Solutions. These amounts are directly offset by corresponding liabilities for Premium and Claim Funds Payable. The amount decreased $2,767,000 due to the timing of paid claims during the year. 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 June 30, 2013, the Company had $34,218,000 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 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 $7,256,000 to $74,421,000 during the six months ended June 30, 2013 from $67,165,000 at December 31, 2012, due to higher net purchases of fixed maturity securities, offset by net sales of preferred stock.

The Company had receivables from reinsurers of $6,672,000 at June 30, 2013. 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 June 30, 2013.

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

	Total Insurance Reserves	
	June 30, 2013	December 31, 2012
Medical Stop-Loss	$ 19,690	$ 16,363
Fully Insured Health	13,401	7,822
Group Disability	1,127	808
	$ 34,218	$ 24,993

The increase in total insurance reserves of $9,225,000 relates to the increase in medical stop-loss premiums written by Risk Solutions and the increase in retention for fully insured health business.

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 (iii) the adherence to the Company's underwriting guidelines. Changes in these underlying factors are what determine the reasonably likely changes in the projected net loss ratio.

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

The $1,854,000 decrease in AMIC’s stockholders' equity in the first six months of 2013 is primarily due the repurchase of common stock of $1,198,000 and an increase in net unrealized losses on investments of $2,859,000, offset by net income of $2,195,000.

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 losses on available-for-sale securities totaled $1,030,000 at June 30, 2013. Approximately 99.4% of the Company’s fixed maturities were investment grade. 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 June 30, 2013, approximately 0.6% (or $390,000) 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 June 30, 2013.

The Company reviews its investments regularly and monitors its investments continually for impairments. For the six months ended June 30, 2013 and 2012, the Company recorded realized losses for other-than-temporary impairments of $0 and $189,000, respectively. The following table summarizes the carrying value of securities with fair values less than 80% of their amortized cost at June 30, 2013 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	$ -	$ -	$ -	$ 162	$ 162

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 June 30, 2013. In 2013, the Company experienced an increase in net unrealized losses of $2,859,000 which decreased stockholders' equity by $2,859,000 (reflecting net unrealized losses of $1,030,000 at June 30, 2013 compared to net unrealized gains of $1,829,000 at December 31, 2012). From time to time, as warranted, the Company may employ investment strategies to mitigate interest rate and other market exposures. Further deterioration in credit quality of the companies backing the securities, further deterioration in the condition of the financial services industry, a continuation of the current imbalances in liquidity that exist in the marketplace, a continuation or worsening of the current economic recession, or additional declines in real estate values may further affect the fair value of these securities and increase the potential that certain unrealized losses be designated as other-than-temporary in future periods and the Company may incur additional write-downs.

CAPITAL RESOURCES

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 all 50 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.

The majority of Independence American's revenue is from reinsurance premiums, although Independence American continues to increase the premiums written on its paper. During 2012, Independence American wrote group major medical, medical stop-loss, pet insurance, major medical plans for individuals and families, hospital indemnity, a small amount of short-term medical limited medical and dental. Given its A- (Excellent) rating from A.M. Best, Independence American expects to expand the distribution of its products. The majority of major medical plans for individuals and families is written through IPA.

- We experienced meaningful growth in reinsured medical stop-loss premiums in 2012 as a result of growth in business written by IHC, and this trend continued in 2013. This increase is attributable to a growing market for medical stop-loss as smaller employers identify the advantages of self-funding, the expansion of IHC as a direct writer, and the emergence of IHC's captive solution program.

- Our pet insurance premiums experienced significant growth in 2012 as Independence American's product was approved in many states, and this trend continued in 2013.

- We continue to focus on direct-to-consumer distribution initiatives through IHC Specialty Benefits as we believe this will be a growing means for selling health insurance and ancillary products in the coming years.

- Our individual major medical premiums will decline somewhat in 2013 and more rapidly in 2014 as we discontinue writing new business in most states.

- Further adapting to health care reform by continuing to proactively adjust our distribution strategies and mix of Fully Insured Health products to take advantage of changing market demands.

- Our small group major medical reinsured premiums are expected to increase in 2013 due to a new program; offset by the expectation that employers may choose to drop group health coverage or self-fund.

- We intend to increase our sales of (and reinsurance from IHC's sales of) short-term and limited medical and ancillary health products, such as dental, hospital indemnity and critical illness to offset the reduction in major medical premiums. We will also increase our DBL reinsurance premiums due to higher sales at IHC.

- We will begin selling non-subscriber occupational accident insurance in Texas, and health insurance for groups seeking coverage for expatriate employees by the end of 2013.

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 Risk Solutions 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, DBL and LTD premiums from IHC under the IHC Treaties.

Percentage of Business Ceded

In 2013 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.

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. Independence American assumed 8% of certain of IHC's LTD business. Standard Security Life and Madison National Life ceded approximately 8% 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 earned by IHC increased in the first six months of 2013 by approximately 22%, and premiums earned by AMIC increased 24% in the first six months of June 30, 2013 as a result of an increase in premiums produced by Risk Solutions. Risk Solutions anticipates increasing its production of medical stop-loss business for the balance of 2013. IHC has reported that it expects its fully insured and DBL premiums to increase in 2013. Therefore, Independence American anticipates reinsuring a higher amount of medical-stop loss and DBL premium ceded by IHC in 2013.

Profitability

We had a significant increase in the profitability and growth of our stop-loss business in 2012, our largest core business, which we attribute to the more efficient and controlled model of writing the majority of our medical stop-loss on a direct basis. At present, all indicators point to a continuation of this growth and higher level of profitability for business produced by Risk Solutions.

We will continue to focus on our strategic objectives, including expanding our distribution network. However, the success of a portion of our Fully Insured Health business may be affected by the passage of the Patient Protection and Affordable Care Act of 2010, as amended, signed by President Obama in March 2010, and its subsequent interpretations by state and federal regulators. The appropriate regulatory agencies have now issued their proposed regulations. The regulations proposed to-date (including those mandating minimum loss ratios) seem to have validated our strategy of pursuing niche lines of business across many states utilizing multiple carriers. We have begun a comprehensive review of all the options for the Company and we are continuing a thorough evaluation of our options for those health insurance products that may be affected. Although the law will generally require insurers to operate with a lower expense structure for major medical essential health benefit ("EHB") plans in the small employer and individual markets, the law appears to make exceptions for carriers, such as ours, that have a minimal presence in any one state. Non-EHB lines of business and Medical Stop-Loss have been impacted by health care reform minimally or not at all.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

The Company monitors its investment portfolio on a continuous basis and believes that the liquidity of the 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.

The expected change in fair value as a percentage of the Company's fixed income portfolio at June 30, 2013 given a 100 to 200 basis point rise or decline in interest rates is not materially different than the expected change at December 31, 2012 included in Item 7A of the Company's Annual Report on Form 10-K.

In the Company's analysis of the asset-liability model, a 100 to 200 basis point change in interest rates on the 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 4. Controls and Procedures

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

There has been no change in AMIC’s internal control over financial reporting during the second quarter ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, AMIC's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There were no material changes from the risk factors previously disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012 in response to Item 1A. to Part 1 of Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchase Program

In November 2012, the Board of Directors of AMIC authorized the repurchase of up to 962,886 shares of AMIC’s common stock. The repurchase program may be discontinued or suspended at any time. As of June 30, 2013, 500,000 shares were still authorized to be repurchased under the program. There were no share repurchases during the quarter ended June 30, 2013.

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Mine Safety Disclosures

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

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.

AMERICAN INDEPENDENCE CORP.
(Registrant)

/s/ *Roy T.K. Thung* Date: August 8, 2013
Roy T.K. Thung
Chief Executive Officer

/s/ *Teresa A. Herbert* Date: August 8, 2013
Teresa A. Herbert
Chief Financial Officer and Senior Vice President