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INDEPENDENCE HOLDING CO

Form 10-Q

May 10, 2018

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2018-03-31 0000701869 us-gaap:OperatingSegmentsMember 2017-01-01 2017-03-31 0000701869

us-gaap:MaterialReconcilingItemsMemberus-gaap:GainLossOnInvestmentsMember1 2018-01-01 2018-03-31
0000701869 us-gaap:MaterialReconcilingItemsMemberus-gaap:GainLossOnInvestmentsMember1 2017-01-01
2017-03-31 xbrli:pure iso4217:USD xbrli:shares iso4217:USD xbrli:shares

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended **March 31, 2018**.

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

For the transition period from: _____ to _____

Commission File Number: **001-32244**

INDEPENDENCE HOLDING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

581407235

(I.R.S.

Employer

Identification
No.)

96 CUMMINGS POINT ROAD, STAMFORD, CONNECTICUT

06902

(Address of principal executive offices)

(Zip Code)

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

NOT APPLICABLE

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

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

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

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company

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

Class

Outstanding at May 3, 2018

Common stock, \$ 1.00 par value 14,795,049 Shares

INDEPENDENCE HOLDING COMPANY

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

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Forward-Looking Statements

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

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

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

PART I - FINANCIAL INFORMATION**Item 1. Financial Statements****INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS** (In thousands, except share data)

	March 31, 2018	December 31, 2017
	(Unaudited)	
ASSETS:		
Investments:		
Short-term investments	\$ 50	\$ 50
Securities purchased under agreements to resell	9,597	10,269
Fixed maturities, available-for-sale	443,190	441,912
Equity securities	6,019	6,120
Other investments	18,033	18,547
Total investments	476,889	476,898
Cash and cash equivalents	19,897	26,465
Due and unpaid premiums	32,013	21,950
Due from reinsurers	374,358	380,593
Goodwill	50,697	50,697
Other assets	86,387	84,020
TOTAL ASSETS	\$ 1,040,241	\$ 1,040,623
LIABILITIES AND EQUITY:		
LIABILITIES:		
Policy benefits and claims	\$ 165,923	\$ 168,683
Future policy benefits	212,174	214,766
Funds on deposit	143,802	143,537
Unearned premiums	15,678	6,666
Other policyholders' funds	10,314	10,402
Due to reinsurers	2,159	3,808
Accounts payable, accruals and other liabilities	53,629	56,453
TOTAL LIABILITIES	603,679	604,315

Commitments and contingencies (Note 13)

Redeemable noncontrolling interest	2,148	2,065
STOCKHOLDERS' EQUITY:		
Preferred stock \$1.00 par value, 100,000 shares authorized; none issued or outstanding	-	-
Common stock \$1.00 par value, 23,000,000 shares authorized; 18,625,458 and 18,625,458 shares issued; and 14,801,622 and 14,890,285 shares outstanding	18,625	18,625
Paid-in capital	124,774	124,538
Accumulated other comprehensive loss	(8,985)	(4,598)
Treasury stock, at cost; 3,823,836 and 3,735,173 shares	(65,996)	(63,404)
Retained earnings	363,378	356,383
TOTAL IHC STOCKHOLDERS' EQUITY	431,796	431,544
NONREDEEMABLE NONCONTROLLING INTERESTS	2,618	2,699
TOTAL EQUITY	434,414	434,243
TOTAL LIABILITIES AND EQUITY	\$ 1,040,241	\$ 1,040,623

See the accompanying Notes to Condensed Consolidated Financial Statements.

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

(In thousands, except per share data)

	Three Months Ended	
	March 31,	
	2018	2017
REVENUES:		
Premiums earned	\$ 79,492	\$ 62,941
Net investment income	3,186	3,911
Fee income	5,211	3,225
Other income	344	1,591
Net investment gains	71	172
	88,304	71,840
EXPENSES:		
Insurance benefits, claims and reserves	35,907	32,211
Selling, general and administrative expenses	43,343	32,082
	79,250	64,293
Income before income taxes	9,054	7,547
Income taxes	2,006	2,538
Net income	7,048	5,009
(Income) from nonredeemable noncontrolling interests	(16)	(70)
(Income) from redeemable noncontrolling interests	(71)	(3)
NET INCOME ATTRIBUTABLE TO IHC	\$ 6,961	\$ 4,936
Basic income per common share	\$ 0.47	\$ 0.30
WEIGHTED AVERAGE SHARES OUTSTANDING	14,832	16,701
Diluted income per common share	\$ 0.46	\$ 0.29
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	15,074	16,978

See the accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	March 31,	
	2018	2017
Net income	\$ 7,048	\$ 5,009
Other comprehensive income (loss):		
Available-for-sale securities:		
Unrealized gains (losses) on available-for-sale securities, pre-tax	(5,128)	3,981
Tax expense (benefit) on unrealized gains on available-for-sale securities	(1,091)	1,460
Unrealized gains (losses) on available-for-sale securities, net of taxes	(4,037)	2,521
Other comprehensive income (loss), net of tax	(4,037)	2,521
COMPREHENSIVE INCOME, NET OF TAX	3,011	7,530
Comprehensive income, net of tax, attributable to noncontrolling interests:		
Income from noncontrolling interests in subsidiaries	(87)	(73)
Other comprehensive income, net of tax, attributable to noncontrolling interests	-	-
COMPREHENSIVE INCOME, NET OF TAX, ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(87)	(73)
COMPREHENSIVE INCOME, NET OF TAX, ATTRIBUTABLE TO IHC	\$ 2,924	\$ 7,457

See the accompanying Notes to Condensed Consolidated Financial Statements.

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INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited) (In thousands)

	COMMON STOCK	PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY STOCK, AT COST	RETAINED EARNINGS	TOTAL IHC STOCKHOLDER EQUITY
BALANCE AT DECEMBER 31, 2017	\$ 18,625	\$ 124,538	\$ (4,598)	\$ (63,404)	\$ 356,383	\$ 431,544
Cumulative effects of new accounting principles			(350)		34	(316)
Net income					6,961	6,961
Other comprehensive income, net of tax			(4,037)			(4,037)
Repurchases of common stock				(2,642)		(2,642)
Share-based compensation		236		50		286
BALANCE AT MARCH 31, 2018	\$ 18,625	\$ 124,774	\$ (8,985)	\$ (65,996)	\$ 363,378	\$ 431,796

See the accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March	
	31,	
	2018	2017
CASH FLOWS PROVIDED BY (USED BY) OPERATING ACTIVITIES:		
Net income	\$ 7,048	\$ 5,009
Adjustments to reconcile net income to net change in cash from operating activities:		
Amortization of deferred acquisition costs	40	91
Net investment gains	(71)	(172)
Equity (income) loss from equity method investments	495	(201)
Depreciation and amortization	602	299
Deferred tax expense (benefit)	(26)	889
Other	1,652	1,285
Changes in assets and liabilities:		
Change in insurance liabilities	2,576	(59,880)
Change in amounts due from reinsurers	6,235	30,479
Change in claim fund balances	(44)	9,245
Change in current income tax liability	557	1,087
Change in due and unpaid premiums	(10,063)	17,474
Other operating activities	(5,585)	(5,666)
Net change in cash from operating activities	3,416	(61)
CASH FLOWS PROVIDED BY (USED BY) INVESTING ACTIVITIES:		
Net sales and maturities of short-term investments	-	6,099
Net sales of securities under resale agreements	672	10,741
Sales of fixed maturities	12,692	78,313
Maturities and other repayments of fixed maturities	4,630	4,132
Purchases of fixed maturities	(22,882)	(41,741)
Payments to acquire business, net of cash acquired	-	(12,287)
Other investing activities	(42)	(157)
Net change in cash from investing activities	(4,930)	45,100

CASH FLOWS PROVIDED BY (USED BY) FINANCING ACTIVITIES:

Repurchases of common stock	(2,768)	(14,402)
Withdrawals of investment-type insurance contracts	(388)	(433)
Dividends paid	(1,489)	(1,026)
Other financing activities	60	–
Net change in cash from financing activities	(4,585)	(15,861)
Net change in cash, cash equivalents and restricted cash	(6,099)	29,178
Cash, cash equivalents and restricted cash, beginning of year	32,197	23,718
Cash, cash equivalents and restricted cash, end of period	\$ 26,098	\$ 52,896

See the accompanying Notes to Condensed Consolidated Financial Statements.

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INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1. Organization, Consolidation, Basis of Presentation and Accounting Policies

(A) Business and Organization

Independence Holding Company, a Delaware corporation ("IHC"), is a holding company principally engaged in the life and health insurance business through: (i) its insurance companies, Standard Security Life Insurance Company of New York ("Standard Security Life"), Madison National Life Insurance Company, Inc. ("Madison National Life"), and Independence American Insurance Company ("Independence American"); and (ii) its marketing and administrative companies, including IHC Specialty Benefits Inc., IHC Carrier Solutions, Inc. and a majority interest in PetPartners, Inc. IHC also owns a significant equity interest in Ebix Health Exchange Holdings, LLC ("Ebix Health Exchange"), an administration exchange for health insurance. Standard Security Life, Madison National Life and Independence American are sometimes collectively referred to as the "Insurance Group". IHC and its subsidiaries (including the Insurance Group) are sometimes collectively referred to as the "Company", or "IHC", or are implicit in the terms "we", "us" and "our".

Geneve Corporation, a diversified financial holding company, and its affiliated entities, held approximately 62% of IHC's outstanding common stock at March 31, 2018.

(B) Basis of Presentation

The unaudited Condensed Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited Condensed Consolidated Financial Statements include the accounts of IHC and its consolidated subsidiaries. All significant intercompany transactions have been eliminated in consolidation. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect: (i) the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; and (ii) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. IHC's Annual Report on Form 10-K as filed with the Securities and Exchange Commission should be read in conjunction with the accompanying unaudited Condensed Consolidated Financial Statements.

In the opinion of management, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods have been included. The condensed consolidated results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results to be anticipated for the entire year.

(C) Reclassifications

Certain amounts in prior year's consolidated financial statements and Notes thereto have been reclassified to conform to the 2018 presentation primarily as a result of new accounting principles adopted in the current year.

(D) Revenue Recognition

Insurance premiums are recognized as revenue over the period insurance protection is provided. For additional information about our policies regarding the recognition of premium revenues, see Note 1 of the Notes to Consolidated Financial Statements included in our 2017 Annual Report on Form 10-K as filed with

the Securities and Exchange Commission.

Fee income includes fees and commissions for various sales, marketing and administrative services provided by our marketing and administrative companies. Revenue is recognized as these services are performed. For these administrative service and other contracts, we have no material contract assets or contract liabilities on our consolidated balance sheet at March 31, 2018. Revenue recognized from performance obligations related to prior periods, and revenue expected to be recognized in future periods related to unfulfilled contractual performance obligations and contracts with variable consideration, is not material.

(E) Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In May 2017, the Financial Accounting Standards Board (the “FASB”) issued guidance to provide clarity and reduce both (i) diversity in practice; and (ii) cost and complexity when accounting for a change in the terms or conditions of a share-based payment award. The amendments in this guidance will be applied prospectively. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

In January 2017, the FASB issued guidance that clarifies the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. The amendments in this guidance will be applied prospectively. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

In November 2016, the FASB issued guidance requiring entities to show the changes in the total cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. The amendments in this guidance were applied retrospectively. The adoption of this guidance did not have a material effect on the Company’s Statements of Cash Flows and had no effect on the Company’s consolidated financial position or results of operations.

In October 2016, the FASB issued guidance requiring an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The amendments in this guidance were applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the January 1, 2018. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

In August 2016, the FASB issued guidance that changes how certain cash receipts and cash payments are presented and classified in the cash flows statement. The Company has elected to classify distributions received from equity method investees using the cumulative earnings approach. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

In January 2016, the FASB issued guidance that eliminates the requirement to classify equity securities with readily determinable fair values as trading or available-for-sale. The guidance requires equity securities, other than those that result in consolidation or are accounted for under the equity method (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies), to be measured at fair value with changes in the fair value recognized through net income, simplifies the impairment assessment of equity securities without readily determinable fair values and requires changes in disclosure requirements. The amendments in this guidance were applied by means of a cumulative-effect adjustment of \$340,000 credit to retained earnings as of January 1, 2018. The amendments related to equity securities without readily determinable fair values (including disclosure requirements) will be applied prospectively to equity investments that existed as of January 1, 2018. The adoption of this guidance did not have a material effect on the Company's Consolidated Balance Sheet or IHC's stockholders' equity.

In May 2014, the FASB issued revenue recognition guidance for entities that either enter into contracts with customers to transfer goods or services or enter into contracts for the transfer of nonfinancial assets unless

those contracts are within the scope of other standards such as insurance contracts or lease contracts. The amendment provides specific steps that an entity should apply in order to achieve its main objective which is recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Substantially all of the Company's revenue sources are excluded from the scope of the standard. For those revenue sources within the scope of the standard (included in the Fee income line of the Condensed Consolidated Statement of Income), there were no material changes in the timing or measurement of revenues. The amendments in this guidance were applied retrospectively with a cumulative effect adjustment on January 1, 2018, and as such, the Company recorded \$552,000 of contract assets and \$1,094,000 of deferred revenues, which are included on the Condensed Consolidated Balance Sheet in other assets and accounts payable, accruals and other liabilities. The overall net impact on retained earnings was a charge of \$306,000, after the effects of taxes and noncontrolling interests.

Recently Issued Accounting Standards Not Yet Adopted

In March 2017, the FASB issued guidance requiring premium amortization on callable debt securities to be amortized to the earliest call date to more closely align the amortization period with expectations incorporated in market pricing of the underlying securities. The amendments in this guidance should be applied using a modified retrospective approach for annual periods beginning after December 15, 2018, including interim periods within those periods. Additional disclosures are required in the period of adoption. Early adoption is permitted. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In January 2017, the FASB issued guidance to simplify the test for goodwill impairment by eliminating Step 2 in the goodwill impairment test. Instead, under the amendments in this guidance, an entity should perform its annual or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The amendments in this guidance are effective for public business entities for annual, or any interim, goodwill impairment tests in fiscal years beginning after December 15, 2019. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

In June 2016, the FASB issued guidance requiring financial assets measured at amortized cost basis to be presented at the net amount expected to be collected. An allowance for credit losses will be deducted from the amortized cost basis to present the net carrying value at the amount expected to be collected with changes in the allowance recorded in earnings. Credit losses relating to available-for-sale debt securities will also be recorded through an allowance for credit losses rather than the currently applied U.S. GAAP method of taking a permanent impairment of the security, which would be limited to the amount by which fair value is below the amortized cost. Certain existing requirements used to evaluate credit losses have been removed. For public entities that are SEC filers, the amendments in this guidance are effective for fiscal years beginning after December 15, 2019, including interim periods within those years. Early adoption is permitted for fiscal years beginning after December 15, 2018. The amendments in this guidance should be applied through a cumulative effect adjustment to retained earnings upon adoption as of the beginning of the first reporting period in which the guidance is effective. Management is evaluating the requirements and potential impact that the adoption of this guidance will have on the Company's consolidated financial statements.

In February 2016, the FASB issued guidance that requires lessees to recognize the assets and liabilities that arise from leases, including operating leases, on the statement of financial position. The amendments in this guidance are effective for fiscal years beginning after December 31, 2018, including interim periods within those fiscal years, using a modified retrospective approach. The adoption of this guidance is not expected to have a material effect on the Company's consolidated financial statements.

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Note 2. Income Per Common Share

Diluted income per share was computed using the treasury stock method and includes incremental common shares, primarily from the dilutive effect of share-based payment awards, amounting to 242,000 and 277,000 shares for the three months ended March 31, 2018 and 2017, respectively.

Note 3. Cash, Cash Equivalents and Restricted Cash

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

	March 31,	
	2018	2017
Cash and cash equivalents	\$ 19,897	\$ 51,160
Restricted cash included in other assets	6,201	1,736
Total cash, cash equivalents and restricted cash	\$ 26,098	\$ 52,896

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

Note 4. Investment Securities

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

March 31, 2018

GROSS

GROSS

	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
FIXED MATURITIES				
AVAILABLE-FOR-SALE:				
Corporate securities	\$ 160,659	\$ 106	\$ (5,244)	\$ 155,521
CMOs – residential ⁽¹⁾	6,691	2	(327)	6,366
U.S. Government obligations	81,583	–	(808)	80,775
Agency MBS – residential ⁽²⁾	11	–	–	11
GSEs ⁽³⁾	9,812	–	(219)	9,593
States and political subdivisions	181,626	349	(5,203)	176,772
Foreign government obligations	4,179	–	(102)	4,077
Redeemable preferred stocks	10,006	180	(111)	10,075
Total fixed maturities	\$ 454,567	\$ 637	\$ (12,014)	\$ 443,190

	December 31, 2017			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	\$ 148,996	\$ 298	\$ (2,847)	\$ 146,447
CMOs - residential (1)	6,857	—	(180)	6,677
U.S. Government obligations	85,510	—	(396)	85,114
Agency MBS - residential (2)	14	—	—	14
GSEs (3)	9,887	—	(205)	9,682
States and political subdivisions	182,664	598	(3,619)	179,643
Foreign government obligations	4,227	13	(90)	4,150
Redeemable preferred stocks	10,006	179	—	10,185
Total fixed maturities	\$ 448,161	\$ 1,088	\$ (7,337)	\$ 441,912

(1) Collateralized mortgage obligations (“CMOs”).

(2) Mortgage-backed securities (“MBS”).

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

The amortized cost and fair value of fixed maturities available-for-sale at March 31, 2018, by contractual maturity, are shown below (in thousands). Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

AMORTIZED COST	FAIR VALUE
---------------------------	-----------------------

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Due in one year or less	\$ 38,884	\$ 38,617
Due after one year through five years	159,599	156,585
Due after five years through ten years	138,694	135,032
Due after ten years	100,876	96,986
Fixed maturities with no single maturity date	16,514	15,970
	\$ 454,567	\$ 443,190

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

March 31, 2018

Less than 12 Months		12 Months or Longer		Total	
Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses