MDU RESOURCES GROUP INC
Form 8-K
May 24, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): May 23, 2017
MDU Resources Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	1-03480	41-0423660
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1200 West Century Avenue
P.O. Box 5650
Bismarck, North Dakota 58506-5650
(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code: (701) 530-1000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
[ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (CFR §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (CFR §240.12b-2 of this chapter).
Emerging growth company [ ]

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

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Martin A. Fritz, the President and Chief Executive Officer of WBI Holdings, Inc. (“WBI”), resigned from his position with WBI effective May 23, 2017. WBI offered Mr. Fritz a separation agreement providing for a $500,000 severance payment in exchange for a general release of claims and his agreement to certain confidentiality and other restrictions.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 24, 2017

MDU Resources Group, Inc.

By: /s/ Daniel S. Kuntz

Daniel S. Kuntz
Vice President, General Counsel
and Secretary

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	Three Months Ended March 31, 2011	2010
REVENUES:		
Premiums earned ($8,055 and $8,801, respectively, from related parties)	$ 17,769	$ 18,411
MGU and agency income ($852 and $1,672, respectively, from related parties)	3,316	3,647
Net investment income	559	614
Net realized investment gains (losses)	(15)	186
Other income (loss)	93	(14)
	21,722	22,844
EXPENSES		
Insurance benefits, claims and reserves ($4,946 and $4,531, respectively, from related parties)	11,048	12,318
Selling, general and administrative expenses ($3,033 and $3,183, respectively, from related parties)	8,908	8,826
Amortization and depreciation	214	213
	20,170	21,357
Income before income tax		

	1,552	1,487
Provision for income taxes	495	453
Net income	1,057	1,034
Less: Net income attributable to the non-controlling interest	(120)	(191)
Net income attributable to American Independence Corp.	$ 937	$ 843
Basic income per common share:		
Net income attributable to American Independence Corp. common stockholders	$ .11	$ .10
Weighted-average shares outstanding	8,511	8,506
Diluted income per common share:		
Net income attributable to American Independence Corp. common stockholders	$ .11	$ .10
Weighted-average diluted shares outstanding	8,511	8,506

See accompanying notes to condensed consolidated financial statements.

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American Independence Corp. and Subsidiaries
Condensed Consolidated Statements of Changes In Stockholders' Equity
Three Months Ended March 31, 2011
(In thousands)
(Unaudited)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY STOCK, AT COST	ACCUMULATED DEFICIT	TOTAL AMIC STOCKHOLDERS' EQUITY	NON-CONTROLLING INTERESTS IN SUBSIDIARIES	TOTAL EQUITY
BALANCE AT DECEMBER 31, 2010	$ 92	$ 479,910	$ 103	$ (7,976)	$ (380,069)	$ 92,060	$ 117	$ 92,177
Net income					937	937	120	1,057
Net change in unrealized gains on certain available-for-sale securities			(81)			(81)	-	(81)
Total comprehensive income						856	120	976
Exercise of stock options				56	(35)	21	-	21
Dividends paid to non-controlling interest							(223)	(223)
Share-based compensation expense		16				16	-	16
BALANCE AT MARCH 31, 2011	$ 92	$ 479,926	$ 22	$ (7,920)	$ (379,167)	$ 92,953	$ 14	$ 92,967

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,057	$ 1,034
Adjustments to reconcile net income to net change in cash from operating activities:		
Net realized investment (gains) losses	15	(186)
Amortization and depreciation	214	213
Equity loss	5	17
Deferred tax expense	495	455
Non-cash stock compensation expense	16	19
Change in operating assets and liabilities:		
Change in insurance reserves	(473)	(1,913)
Change in net amounts due from and to reinsurers	(448)	723
Change in accrued fee income	(437)	(383)
Change in premiums receivable	420	739
Change in income taxes	-	(13)
Change in other assets and other liabilities	(351)	(83)
Net cash provided by operating activities of continuing operations	513	622
Net cash used by operating activities of discontinued operations	-	(79)
Net cash provided by operating activities	513	543
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in net amount due from and to securities brokers	(115)	(461)
Net sales of securities under resale and repurchase agreements	2,649	1,274
Sales of and principal repayments on fixed maturities	7,779	11,661
Maturities and other repayments of fixed maturities	1,479	1,795
Purchases of fixed maturities	(10,722)	(14,246)
Sales of equity securities	849	1,142
Purchases of equity securities	(2,717)	(1,020)
Net cash provided (used) by investing activities	(798)	145
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	21	-
Net cash provided by financing activities	21	-
Increase (decrease) in cash and cash equivalents	(264)	688
Cash and cash equivalents, beginning of period	2,614	4,073
Cash and cash equivalents, end of period	$ 2,350	$ 4,761
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during period for:		

Income taxes	$ 2	$ 4

See accompanying notes to condensed consolidated financial statements.

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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). AMIC is a holding company principally engaged in the insurance and reinsurance business through: a) its wholly owned insurance company, Independence American Insurance Company ("Independence American"); b) its managing general underwriter subsidiaries: Risk Assessment Strategies, Inc. ("RAS"), and Marlton Risk Group LLC ("Marlton"); c) its 23% investment in Majestic Underwriters LLC ("Majestic"); d) its 51% ownership in HealthInsurance.org, LLC (“HIO”), an insurance and marketing agency; e) its 51% ownership in Independent Producers of America, LLC (“IPA”), a national career agent marketing organization; f) its wholly owned stop-loss sales office, IHC Risk Solutions – IIG (“IIG”); and g) its wholly owned claims administration company, IHC Risk Solutions, Inc. (“RSI”), formerly known as Excess Claims Administrators, Inc. During 2010, AMIC owned another managing general underwriter, IndependenceCare Underwriting Services – Minneapolis, L.L.C. ("IndependenceCare"), which was put into runoff prior the end of 2009. IndependenceCare, RAS and Marlton are collectively referred to as "AMIC’s MGUs". HIO, IIG, IPA, and RSI are collectively referred to as “AMIC’s Agencies”. After the end of the first quarter of 2011, AMIC consolidated RAS, IIG and RSI into Marlton and changed the name of the merged entity to IHC Risk Solutions LLC (“Risk Solutions”).

As used in this report, unless otherwise required by the context, AMIC and its subsidiaries are sometimes collectively referred to as "AMIC", or are implicit in the terms "it", "them" and "their".

Since November 2002, AMIC has been affiliated with Independence Holding Company ("IHC"), which owned 63% of AMIC's stock as of March 31, 2011. The senior management of IHC provides direction to AMIC through a service agreement between AMIC and IHC. IHC has also entered into 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 AMIC assumes reinsurance premiums from the following lines of business: medical stop-loss, New York statutory disability (“DBL”), short-term medical and group major medical.

(B) Basis of Presentation

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of AMIC and its consolidated subsidiaries. All intercompany transactions have been eliminated in consolidation. The preparation of financial statements in conformity with U.S. GAAP requires AMIC 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, 2010, as filed with the Securities and Exchange Commission, should be read in conjunction with the accompanying condensed consolidated financial statements.

In the opinion of AMIC 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 results of operations for the three months ended March 31, 2011 are not necessarily indicative of the results to be anticipated for the entire year.

(C) Recent Accounting Pronouncements

Recently Adopted Accounting Standards

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

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

In January 2010, the FASB issued standards requiring entities to provide the activity of Level 3 security purchases, sales, issuances, and settlements on a gross basis, which were be effective for fiscal years beginning after December 15, 2010. The adoption of this guidance did not have a material effect on AMIC's consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

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

In October 2010, the FASB issued guidance that specifies the accounting treatment for the costs incurred by insurance entities when acquiring new and renewal insurance contracts. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011 and should be applied prospectively upon adoption. AMIC is currently evaluating the potential impact the amendments in this update will have on its consolidated financial statements.

(D) Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The effects of all subsequent events that provided additional evidence about conditions that existed at the date of the balance sheet, including estimates, if any, have been recognized in the accompanying Condensed Consolidated Balance Sheet and Condensed Consolidated Statements of Operations as of and for the three month period ended March 31, 2011. AMIC did not recognize subsequent events that provided evidence about conditions that arose after the balance sheet date.

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. Restricted stock and 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. For the three months ended March 31, 2011 and 2010, shares from the assumed dilution due to the exercise of common stock options and vesting of restricted stock using the treasury stock method were deemed anti-dilutive.

3. MGU and Agency Income

AMIC records MGU fee income as corresponding policy premiums are earned. AMIC’s MGUs are compensated in two ways. They earn 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 earn 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 AMIC believes they are reasonably estimable, which is typically at the point that claims have developed to a level where claim development patterns can be applied to generate reasonably reliable estimates of ultimate claim levels. Profit-sharing commissions are a function of an MGU attaining certain profitability thresholds and could vary greatly from quarter to quarter. Agency income consists of commissions, fees and lead revenue earned by AMIC’s Agencies.

MGU and Agency income consisted of the following:

	Three Months Ended March 31, 2011	2010
	(In thousands)	
Agency income	$ 2,024	$ 2,283
MGU fee income–administration	1,023	1,103
MGU fee income– profit commissions	269	261
	$ 3,316	$ 3,647

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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:

	MARCH 31, 2011			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(In thousands)			
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	$ 20,598	$ 139	$ (285)	$ 20,452
Collateralized mortgage obligations (CMO) – residential	1,255	303	(118)	1,440
CMO – commercial	579	-	(279)	300
States, municipalities and political subdivisions	15,857	115	(274)	15,698
U.S. Government	6,721	133	(1)	6,853
Government sponsored enterprise (GSE)	9,897	80	(43)	9,934
Agency mortgage backed pass through securities (MBS)	242	16	-	258
Total fixed maturities	$ 55,149	$ 786	$ (1,000)	$ 54,935
EQUITY SECURITIES AVAILABLE-FOR-SALE				
Common stock	$ 978	$ 57	$ (14)	$ 1,021
Preferred stock with maturities	273	58	-	331
Preferred stock without maturities	4,470	150	(15)	4,605
Total equity securities	$ 5,721	$ 265	$ (29)	$ 5,957

	DECEMBER 31, 2010			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
	(In thousands)			
FIXED MATURITIES AVAILABLE-FOR-SALE:				
Corporate securities	$ 15,850	$ 167	$ (248)	$ 15,769
CMO – residential	2,021	279	(107)	2,193
CMO – commercial	579	-	(256)	323
States, municipalities and political subdivisions	17,239	152	(327)	17,064
U.S. Government	10,137	159	-	10,296
GSE	7,678	145	(5)	7,818
MBS	256	17	-	273
Total fixed maturities	$ 53,760	$ 919	$ (943)	$ 53,736
EQUITY SECURITIES				

AVAILABLE-FOR-SALE				
Common stock	$ 604	$ 26	$ (20)	$ 610
Preferred stock with maturities	273	54	-	327
Preferred stock without maturities	2,993	77	(10)	3,060
Total equity securities	$ 3,870	$ 157	$ (30)	$ 3,997

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

The unrealized gains (losses) on certain preferred stocks with maturities at March 31, 2011 and December 31, 2010 includes $99,000 related to the non-credit related component of other-than-temporary impairment losses recorded in accumulated other comprehensive income in connection with new accounting standards adopted on April 1, 2009

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

	AMORTIZED COST	FAIR VALUE	% OF TOTAL FAIR VALUE
	(In thousands)		
Due in one year or less	$ 2,546	$ 2,563	5 %
Due after one year through five years	22,725	22,850	42 %
Due after five years through ten years	12,296	12,218	22 %
Due after ten years	9,275	9,048	16 %
	46,842	46,679	85 %
CMO and MBS			
15 years	3,313	3,234	6 %
20 years	-	-	- %
30 years	4,994	5,022	9 %
	$ 55,149	$ 54,935	100 %

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

	March 31, 2011					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
FIXED MATURITIES:						
Corporate securities	$ 12,642	$ 257	$ 357	$ 28	$ 12,999	$ 285
CMO – residential	28	29	351	89	379	118
CMO – commercial	-	-	300	279	300	279
States, municipalities and political subdivisions	5,543	151	2,424	123	7,967	274
U.S. Government	1,735	1	-	-	1,735	1
GSE	4,097	43	-	-	4,097	43
Total fixed maturities	$ 24,045	$ 481	$ 3,432	$ 519	$ 27,477	$ 1,000
EQUITY SECURITIES:						
Common stock	$ 190	$ 14	$ -	$ -	$ 190	$ 14
Preferred stock without maturities	-	-	980	15	980	15
Total equity securities	$ 190	$ 14	$ 980	$ 15	$ 1,170	$ 29

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

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At March 31, 2011, a total of 25 fixed maturities and 9 equity securities were in a continuous unrealized loss position for less than 12 months. Also, at March 31, 2011, a total of 6 fixed maturities and one equity security were in a continuous unrealized loss position for 12 months or longer. At December 31, 2010 a total of 20 fixed maturities and 9 equity securities were in a continuous unrealized loss position for less than 12 months. Also, at December 31, 2010, a total of 7 fixed maturities were in a continuous unrealized loss position for 12 months or longer. Except for certain fixed maturities which are determined to be other-than-temporarily impaired, there are no securities past due or securities for which AMIC currently believes it is not probable that it will collect the current amortized cost basis of the security.

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

At March 31, 2011, AMIC had $1,268,000 invested in whole loan CMOs backed by Alt-A mortgages. Of this amount, 74.1% were in CMOs that originated in 2005 or earlier and 25.9% were in CMOs that originated in 2006 or later. The unrealized losses on all other CMO’s relate to prime rate CMO’s and are primarily attributable to general disruptions in the credit market subsequent to purchase.

Other-Than-Temporary Impairment Evaluations

AMIC reviews its investment securities regularly and determines whether other-than-temporary impairments have occurred. Beginning April 1, 2009, AMIC adopted new accounting guidance that specified new criteria for identifying and recognizing other-than-temporary impairment losses on fixed maturities. The factors considered by AMIC’s management in its regular review include, but are not limited to: the length of time and extent to which the fair value has been less than cost; AMIC’s intent to sell, or be required to sell, the debt security before the anticipated recovery of its remaining amortized cost basis; the financial condition and near-term prospects of the issuer; adverse changes in ratings announced by one or more rating agencies; subordinated credit support; whether the issuer of a debt security has remained current on principal and interest payments; current expected cash flows; whether the decline in fair value appears to be issuer specific or, alternatively, a reflection of general market or industry conditions including the effect of changes in market interest rates. If AMIC intends to sell a debt security, or it is more likely than not that it would be required to sell a debt security before the recovery of its amortized cost basis, the entire difference between the security's amortized cost basis and its fair value at the balance sheet date would be recognized by a charge to total other-than-temporary impairment losses in the Condensed Consolidated Statement of Operations. If a decline in fair value of a debt security is judged by AMIC’s management to be other-than-temporary and; (i) AMIC does not intend to sell the security; and (ii) it is not more likely than not that it will be required to sell the security prior to recovery of the security’s amortized cost, AMIC assesses whether the present value of the cash flows to be collected from the security is less than its amortized cost basis. To the extent that the present value of the cash flows generated by a debt security is less than the amortized cost basis, a credit loss exists. For any such security, the impairment is bifurcated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. The amount of the other-than-temporary impairment related to the credit loss is recognized by a charge to total other-than-temporary impairment losses in the Condensed Consolidated Statements of Operations, establishing a new cost basis for the security. The amount of the other-than-temporary impairment related to all other factors is recognized in other comprehensive income in the Condensed Consolidated Balance Sheets. It is reasonably possible that further declines in estimated fair values of such investments, or changes in assumptions or estimates of anticipated recoveries and/or cash flows, may cause further other-than-temporary impairments in the near term, which could be significant.

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

Prior to April 1, 2009, AMIC assessed its ability and intent to hold a fixed maturity for a period of time sufficient to allow for a recovery in fair value. If AMIC could not assert this condition, an other-than-temporary impairment loss was recognized in the Condensed Consolidated Statements of Operations.

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

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

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

Balance at December 31, 2010	$ 99
Additions	-
Balance at March 31, 2011	$ 99

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

5. Net Realized Investment Gains (Losses)

Net realized investment gains (losses) for the three months ended March 31, 2011 and 2010 are as follows (in thousands):

	Three Months Ended March 31, 2011	2010
Net realized investment gains (losses):		
Fixed maturities	$ 2	$ 168
Common stock	(17)	21
Preferred stock	-	(3)
Net realized investment gains (losses)	$ (15)	$ 186

For the three months ended March 31, 2011, AMIC recorded realized gross gains of $91,000 and gross losses of $106,000 on sales of available-for-sale securities. For the three months ended March 31, 2010, AMIC recorded realized gross gains of $263,000 and gross losses of $77,000 on sales of available-for-sale securities.

6. Fair Value Measurements

For all financial and non-financial instruments accounted for at fair value on a recurring basis, AMIC utilizes valuation techniques based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect AMIC's 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 AMIC uses 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 AMIC's portfolio of corporate fixed income securities, government agency mortgage-backed securities, government sponsored enterprises, certain CMO securities, municipals and certain preferred stocks that were priced with observable market inputs. Level 3 securities consist of certain CMO securities, primarily Alt-A mortgages. For these securities, AMIC uses industry-standard pricing methodologies, including discounted cash flow models, whose inputs are based on AMIC management's assumptions and available market information. Further, they retain independent pricing vendors to assist in valuing certain instruments.

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

	March 31, 2011			
	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS:				
Fixed maturities available-for-sale:				
Corporate securities	$ -	$ 20,452	$ -	$ 20,452
CMO - residential	-	123	1,317	1,440
CMO – commercial	-	-	300	300
States, municipalities and political subdivisions	-	15,698	-	15,698
U.S. Government	-	6,853	-	6,853
GSE	-	9,934	-	9,934
MBS - residential	-	258	-	258
Total fixed maturities	-	53,318	1,617	54,935
Equity securities available-for-sale:				
Common stock	1,021	-	-	1,021
Preferred stock with maturities	331	-	-	331
Preferred stock without maturities	4,605	-	-	4,605
Total equity securities	5,957	-	-	5,957