

INDEPENDENCE HOLDING CO  
Form 8-K  
March 11, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 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) March 10, 2015

**INDEPENDENCE HOLDING COMPANY**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**010306**  
(Commission File Number)

**58-1407235**  
(I.R.S. Employer Identification No.)

**96 Cummings Point Road, Stamford, Connecticut**

**06902**

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(Address of principal executive offices)

(Zip Code)

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

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 240a-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 240.13a-4(c))



**Item 2.02 Results of Operations and Financial Condition.**

The information set forth under this Item 2.02 (Results of Operations and Financial Condition) is intended to be furnished. Such information, including the Exhibit attached hereto, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities and Exchange Act of 1934, except as shall be expressly set forth by specific reference in such filing.

On March 10, 2015, Independence Holding Company issued a news release announcing its 2014 Fourth-Quarter and Annual results, a copy of which is attached as Exhibit 99.1.

**Item 9.01 Financial Statements and Exhibits**

(c)

Exhibits:

**Exhibit 99.1**

News Release of Independence Holding Company dated March 10, 2015: Independence Holding Company Announces 2014 Fourth-Quarter and Annual Results.

**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, thereunto duly authorized.

**INDEPENDENCE HOLDING COMPANY**

(Registrant)

By: Teresa A. Herbert

Date: March 11, 2015

*/s/ Teresa A. Herbert*

Teresa A. Herbert

Senior Vice President and Chief Financial Officer

**INDEPENDENCE HOLDING COMPANY**  
**96 CUMMINGS POINT ROAD**  
**STAMFORD, CONNECTICUT 06902**  
**NYSE: IHC**

**CONTACT: LOAN NISSER**  
**(646) 509-2107**  
**www.IHCGroup.com**

**NEWS RELEASE**

**INDEPENDENCE HOLDING COMPANY ANNOUNCES**

**2014 FOURTH-QUARTER AND ANNUAL RESULTS**

Stamford, Connecticut, March 10, 2015. Independence Holding Company (NYSE: IHC) today reported 2014 fourth-quarter and annual results.

***Financial Results***

Net income attributable to IHC increased to \$.23 per share, diluted, or \$4,034,000, for the three months ended December 31, 2014 compared to \$.10 per share, diluted, or \$1,748,000, for the three months ended December 31, 2013. Net income attributable to IHC increased to \$.92 per share, diluted, or \$16,293,000, for the year ended December 31, 2014 compared to \$.77 per share, diluted, or \$13,779,000, for the year ended December 31, 2013.

Revenues decreased to \$127,090,000 for the three months ended December 31, 2014 as compared to revenues for the three months ended December 31, 2013 of \$143,618,000; and revenues decreased to \$533,933,000 for the year ended December 31, 2014 compared to revenues for the year ended December 31, 2013 of \$575,044,000. The decrease in revenues for both the fourth quarter and the year ended December 31, 2014 is primarily due to the runoff of major medical business from lines that we exited largely as a result of the requirements of the Affordable Care Act ( ACA ), offset in part by an increase in medical stop-loss and specialty health premiums.

***Chief Executive Officer's Comments***

Roy Thung, Chief Executive Officer, commented, "We are pleased with the 19% increase in our earnings in 2014 to \$.92 per share from \$.77 per share in 2013. We achieved this increase despite recording significant underwriting losses on major medical in 2014 as a result of ACA, which will not reoccur in 2015, and significant amortization of deferred loss, which will be substantially less in 2015.

Our positive earnings development in the current year was largely driven by continued growth in earned premium and significantly increased earnings from our direct medical stop-loss, by far our largest line of business. We expect continued growth in this line of business, as evidenced by the 38% increase in our direct business written in the twelve months ended January 31, 2015, while maintaining consistent profit margins on a growing premium base. Our

earnings were also positively impacted by our specialty health business, which grew by 34% and produced very positive profit margins in 2014. We are also pleased with our group life, disability and DBL line of business, which continued to perform well.

Our fully insured segment has been adversely affected the last two years by the ACA, including the runoff of major-medical business and the health insurance tax, causing the 2014 fourth quarter income before income taxes to be impacted by approximately \$4.2 million and the full year 2014 by approximately \$7.1 million. As a result of exiting major medical health plans for individuals and families, the Company will not have any earned premiums or administrative fee income from this line in 2015. Therefore, we expect to see significantly better underwriting results for the fully insured segment as we continue to ramp up the specialty line of business and largely eliminate the underwriting losses from major medical that has negatively impacted our last two years.

In addition, in the three-month and twelve-month periods, the Company recorded \$0.6 million and \$3.5 million, respectively, in amortization of deferred loss in connection with the assumption of certain ceded annuity policies from the prior year's coinsurance agreement. This amortization will be substantially less in 2015 as the majority of policies were assumed in 2014. Offsetting these charges, IHC's 2014 results (Q4 and year-end) were positively affected by an increase of \$2,250,000, net of minority interest, for an increase in the deferred tax asset related to AMIC's federal net operating loss carryforward (NOL); there was not a corresponding positive effect during 2013.

Our overall investment portfolio continues to be very highly rated (on average, AA) and has a duration of approximately six years. Our book value was \$16.76 per share at December 31, 2014, an increase of 10% over the book value per share at December 31, 2013, and our total stockholders' equity is \$291 million at December 31, 2014 compared to \$269 million at December 31, 2013. Through December 31, 2014, we have repurchased 296,775 shares of IHC stock for \$4.0 million at an average price of \$13.38 per share.

Although 2015 will be impacted by the decrease in administrative fee income due to the exit from major medical (which we are seeking to replace by administering major medical for other carriers and by continuing to ramp up our specialty benefits sales) and by reduced investment income resulting from the continued low interest rate environment, we are optimistic that we will achieve a meaningful improvement in operating results in 2015, largely as a result of the accelerating growth in premiums and income from our direct medical stop-loss and specialty health insurance lines of business and the continued profitability of the group life and disability business.

#### ***About Independence Holding Company***

Independence Holding Company is a holding company principally engaged in the life and health insurance business, and the acquisition of blocks of policies, through its insurance company subsidiaries (Standard Security Life Insurance Company of New York, Madison National Life Insurance Company, Inc. and Independence American Insurance Company) and its marketing and administrative affiliates. Standard Security Life furnishes medical stop-loss, group major and limited medical, short-term medical, group long-term and short-term disability and life, group and individual dental, vision and various supplemental products. Madison National Life sells group life and disability, group major and limited medical, group and individual dental, individual life insurance and various supplemental products. Independence American offers pet insurance, non-subscriber occupational accident, short-term medical, medical stop-loss, group and individual dental and various supplemental products. IHC owns certain subsidiaries through its majority ownership of American Independence Corp. (NASDAQ: AMIC), which is a holding company principally engaged in the insurance and reinsurance business.

#### ***Forward-looking Statements***

Certain statements and information contained in this release may be considered forward-looking statements, such as statements relating to management's views with respect to future events and financial performance. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical experience or from future results expressed or implied by such forward-looking statements.

Potential risks and uncertainties include, but are not limited to, economic conditions in the markets in which Independence Holding Company (IHC) operates, new federal or state governmental regulation, IHC's ability to effectively operate, integrate and leverage any past or future strategic acquisition, and other factors which can be found in IHC's other news releases and filings with the Securities and Exchange Commission. IHC expressly disclaims any duty to update its forward-looking statements unless required by applicable law.





**INDEPENDENCE HOLDING COMPANY**

**FOURTH QUARTER REPORT**

**December 31, 2014**

**(In Thousands, Except Per Share Data)**

|   | <b>Three Months Ended<br/>December 31,</b> |             | <b>Year Ended<br/>December 31,</b> |             |
|---|--|-------------|------------------------------------|-------------|
|   | <b>2014</b>                                | <b>2013</b> | <b>2014</b>                        | <b>2013</b> |
| <b>REVENUES:</b>  |  |             |                                    |             |
| Premiums earned   | \$ 116,938                                 | \$ 127,984  | \$ 479,048                         | \$ 495,991  |
| Net investment income   | 5,018                                      | 5,627       | 21,692                             | 27,471      |
| Fee income  | 2,633                                      | 8,083       | 20,646                             | 26,954      |
| Other income  | 1,727                                      | 945         | 4,859                              | 4,878       |
| Net realized investment gains                                 | 774  | 979         | 7,688                              | 19,750      |
| Net impairment losses recognized in earnings                  | -  | -           | -                                  | -           |
|   | 127,090                                    | 143,618     | 533,933                            | 575,044     |
| <b>EXPENSES:</b>  |  |             |                                    |             |
| Insurance benefits, claims and reserves                       | 82,547                                     | 91,877      | 326,035                            | 354,790     |
| Selling, general and administrative expenses                  | 39,850                                     | 46,214      | 177,848                            | 179,553     |
| Amortization of deferred acquisitions costs                   | 1,054                                      | 1,340       | 4,941                              | 15,132      |
| Interest expense on debt                                      | 440  | 468         | 1,797                              | 1,915       |
|   | 123,891                                    | 139,899     | 510,621                            | 551,390     |
| Income before income taxes                                    | 3,199                                      | 3,719       | 23,312                             | 23,654      |
| Income taxes  | (1,013)                                    | 1,577       | 6,391                              | 8,398       |
| <b>Net income</b>   | 4,212                                      | 2,142       | 16,921                             | 15,256      |
| Less: income from noncontrolling interests<br>in subsidiaries | (178)                                      | (394)       | (628)                              | (1,477)     |
| <b>NET INCOME ATTRIBUTABLE TO IHC</b>                         | \$ 4,034                                   | \$ 1,748    | \$ 16,293                          | \$ 13,779   |
| <b>Basic income per common share</b>                          | \$ .23                                     | \$ .10      | \$ .93                             | \$ .78      |

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|  |        |        |        |        |
|--|--------|--------|--------|--------|
| <b>WEIGHTED AVERAGE SHARES<br/>OUTSTANDING</b>         | 17,371 | 17,682 | 17,471 | 17,758 |
| <b>Diluted income per common share</b>                 | \$ .23 | \$ .10 | \$ .92 | \$ .77 |
| <b>WEIGHTED AVERAGE DILUTED SHARES<br/>OUTSTANDING</b> | 17,549 | 17,815 | 17,635 | 17,781 |

As of March 6, 2015, there were 17,352,918 common shares outstanding, net of treasury shares.

**INDEPENDENCE HOLDING COMPANY****CONSOLIDATED BALANCE SHEETS****(In Thousands, Except Share Data)**

|  | <b>December 31,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|--|------------------------------|------------------------------|
| <b>ASSETS:</b>                                   |                              |                              |
| Investments:                                     |                              |                              |
| Short-term investments                           | \$ 50                        | \$ 50                        |
| Securities purchased under agreements to resell  | 16,790                       | 22,594                       |
| Trading securities                               | 11,095                       | 7,125                        |
| Fixed maturities, available-for-sale             | 583,880                      | 542,287                      |
| Equity securities, available-for-sale            | 13,895                       | 11,803                       |
| Other investments                                | 25,251                       | 25,123                       |
| Total investments                                | 650,961                      | 608,982                      |
| Cash and cash equivalents                        | 25,083                       | 24,229                       |
| Deferred acquisition costs                       | 30,806                       | 29,777                       |
| Due and unpaid premiums                          | 62,628                       | 59,435                       |
| Due from reinsurers                              | 278,242                      | 380,229                      |
| Premium and claim funds                          | 32,553                       | 37,353                       |
| Goodwill   | 50,318                       | 50,318                       |
| Other assets                                     | 57,126                       | 78,712                       |
| <b>TOTAL ASSETS</b>                              | <b>\$ 1,187,717</b>          | <b>\$ 1,269,035</b>          |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>      |                              |                              |
| <b>LIABILITIES:</b>                              |                              |                              |
| Policy benefits and claims                       | \$ 236,803                   | \$ 237,754                   |
| Future policy benefits                           | 277,041                      | 287,449                      |
| Funds on deposit                                 | 186,782                      | 274,826                      |
| Unearned premiums                                | 9,455                        | 12,423                       |
| Other policyholders' funds                       | 18,802                       | 25,129                       |
| Due to reinsurers                                | 47,945                       | 37,113                       |
| Accounts payable, accruals and other liabilities | 67,641                       | 71,889                       |
| Debt   | 4,000                        | 6,000                        |
| Junior subordinated debt securities              | 38,146                       | 38,146                       |
| <b>TOTAL LIABILITIES</b>                         | <b>886,615</b>               | <b>990,729</b>               |

**STOCKHOLDERS' EQUITY:****IHC STOCKHOLDERS' EQUITY:**

|   |                     |                     |
|---|---------------------|---------------------|
| Preferred stock (none issued)                   | -                   | -                   |
| Common stock                                    | 18,531              | 18,524              |
| Paid-in capital                                 | 127,098             | 126,239             |
| Accumulated other comprehensive income (loss)   | 22                  | (10,472)            |
| Treasury stock, at cost                         | (12,141)            | (8,169)             |
| Retained earnings                               | 157,667             | 142,669             |
| <b>TOTAL IHC STOCKHOLDERS' EQUITY</b>           | <b>291,177</b>      | <b>268,791</b>      |
| <b>NONCONTROLLING INTERESTS IN SUBSIDIARIES</b> | <b>9,925</b>        | <b>9,515</b>        |
| <b>TOTAL EQUITY</b>                             | <b>301,102</b>      | <b>278,306</b>      |
| <b>TOTAL LIABILITIES AND EQUITY</b>             | <b>\$ 1,187,717</b> | <b>\$ 1,269,035</b> |