

INDEPENDENCE HOLDING CO  
Form 8-K  
May 08, 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) May 7, 2015

**INDEPENDENCE HOLDING COMPANY**

(Exact name of registrant as specified in its charter)

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

**001-32244**  
(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 May 7, 2015, Independence Holding Company issued a news release reporting its 2015 first-quarter 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 May 7, 2015: Independence Holding Company Announces 43% Increase in 2015 First-Quarter Results and 29% Increase in Annual Dividend Rate.

**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: May 8, 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 43% INCREASE IN 2015  
FIRST-QUARTER RESULTS AND 29% INCREASE IN ANNUAL DIVIDEND RATE**

Stamford, Connecticut, May 7, 2015. Independence Holding Company (NYSE: IHC) today reported 2015 first-quarter results.

***Financial Results***

Independence Holding Company ( IHC ) reported a 43% increase in net income per diluted share of \$.30, or \$5,219,000, for the three months ended March 31, 2015 compared to \$.21 per diluted share, or \$3,701,000, for the three months ended March 31, 2014. The Company reported revenues of \$134,265,000 for the three months ended March 31, 2015 compared to revenues for the three months ended March 31, 2014 of \$141,072,000. The decrease in revenues 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, offset in part by an increase in medical stop-loss and specialty health premiums.

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

Roy T. K. Thung, Chief Executive Officer, commented, "We are pleased to announce that the Board of Directors has voted to increase the cash dividend by 29% from \$.07 per share to \$.09 per share annually, effective with the next semi-annual dividend of \$.045 per share in June."

Our significant earnings increase in the current quarter 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, and increased earnings from our group life, disability and DBL line of business. We expect continued growth in the stop-loss line of business, as evidenced by the 39% increase in our direct business written in the twelve months ended April 2015, while maintaining consistent profit margins on a growing premium base. Our earnings were also positively impacted by our specialty health business, which grew significantly and produced very positive profit margins in 2015.

Our overall investment portfolio continues to be very highly rated (on average, AA) and has a duration of approximately six years. Our book value increased to \$17.11 per share at March 31, 2015 from \$16.76 per share at December 31, 2014, and our total stockholders' equity increased to \$297 million at March 31, 2015 compared to \$291 million at December 31, 2014.

With respect to medical stop-loss, for 2015 and beyond, we expect that a growing percentage (currently 86%) of our block of stop-loss business will be written *via* our direct platform. Our fully insured division has transitioned from being focused on major-medical to being principally a specialty health insurance company with controlled distribution and higher-margin lines of business, and we continue to build the direct-to-consumer and career advisor distribution models that are essential to our future growth. As a result of the significant increase in the volume and quality of our stop-loss line, the improved profitability in our fully insured segment and the continued profitability and higher retention on our group life and disability business, we expect improved operating results for the year 2015.

***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, group life, short-term, employer-mandatory disability benefit policies in New York, group and individual dental, vision and various supplemental products. Madison National Life sells group life and disability, group 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 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

## FIRST QUARTER REPORT

March 31, 2015

(In Thousands, Except Per Share Data)

|   | <b>Three Months Ended<br/>March 31,</b> |             |
|---|---|-------------|
|   | <b>2015</b>                             | <b>2014</b> |
| <b>REVENUES:</b>  |   |             |
| Premiums earned   | \$ 122,114                              | \$ 123,270  |
| Net investment income   | 5,441                                   | 5,801       |
| Fee income  | 3,716                                   | 9,339       |
| Other income  | 994                                     | 1,111       |
| Net realized investment gains                                 | 2,000                                   | 1,551       |
|   | 134,265                                 | 141,072     |
| <b>EXPENSES:</b>  |   |             |
| Insurance benefits, claims and reserves                       | 79,620                                  | 85,309      |
| Selling, general and administrative expenses                  | 44,149                                  | 48,135      |
| Amortization of deferred acquisitions costs                   | 1,464                                   | 1,282       |
| Interest expense on debt                                      | 432                                     | 481         |
|   | 125,665                                 | 135,207     |
| Income before income taxes                                    | 8,600                                   | 5,865       |
| Income taxes  | 3,269                                   | 1,860       |
| <b>Net income</b>   | 5,331                                   | 4,005       |
| Less: income from noncontrolling interests<br>in subsidiaries | (112)                                   | (304)       |
| <b>NET INCOME ATTRIBUTABLE TO IHC</b>                         | \$ 5,219                                | \$ 3,701    |
| <b>Basic income per common share</b>                          | \$ .30                                  | \$ .21      |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>                    | 17,364                                  | 17,623      |
| <b>Diluted income per common share</b>                        | \$ .30                                  | \$ .21      |

|  |        |        |
|--|--------|--------|
| <b>WEIGHTED AVERAGE DILUTED SHARES<br/>OUTSTANDING</b> | 17,531 | 17,763 |
|--|--------|--------|

**As of May 1, 2015, there were 17,336,816 common shares outstanding, net of treasury shares.**

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

|  | <b>March 31,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--|---------------------------|------------------------------|
| <b>ASSETS:</b>                                   |                           |                              |
| Investments:                                     |                           |                              |
| Short-term investments                           | \$ 50                     | \$ 50                        |
| Securities purchased under agreements to resell  | 50,937                    | 16,790                       |
| Trading securities                               | 9,520                     | 11,095                       |
| Fixed maturities, available-for-sale             | 564,144                   | 583,880                      |
| Equity securities, available-for-sale            | 7,350                     | 13,895                       |
| Other investments                                | 25,484                    | 25,251                       |
| Total investments                                | 657,485                   | 650,961                      |
| Cash and cash equivalents                        | 20,595                    | 25,083                       |
| Deferred acquisition costs                       | 31,143                    | 30,806                       |
| Due and unpaid premiums                          | 76,811                    | 62,628                       |
| Due from reinsurers                              | 273,712                   | 278,242                      |
| Premium and claim funds                          | 32,929                    | 32,553                       |
| Goodwill   | 50,318                    | 50,318                       |
| Other assets                                     | 62,739                    | 57,126                       |
| <b>TOTAL ASSETS</b>                              | <b>\$ 1,205,732</b>       | <b>\$ 1,187,717</b>          |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>      |                           |                              |
| <b>LIABILITIES:</b>                              |                           |                              |
| Policy benefits and claims                       | \$ 245,047                | \$ 236,803                   |
| Future policy benefits                           | 275,803                   | 277,041                      |
| Funds on deposit                                 | 181,119                   | 186,782                      |
| Unearned premiums                                | 11,042                    | 9,455                        |
| Other policyholders' funds                       | 18,326                    | 18,802                       |
| Due to reinsurers                                | 47,823                    | 47,945                       |
| Accounts payable, accruals and other liabilities | 79,052                    | 67,641                       |
| Debt   | 4,000                     | 4,000                        |
| Junior subordinated debt securities              | 38,146                    | 38,146                       |
| <b>TOTAL LIABILITIES</b>                         | <b>900,358</b>            | <b>886,615</b>               |

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

to  
“professional  
investors” as  
defined in  
the  
Securities  
and Futures  
Ordinance  
(Cap. 571)  
(ii) of Hong  
Kong (the  
“Securities  
and Futures  
Ordinance”)  
and any  
rules made  
under that  
Ordinance;  
or

in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (iii) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

There is no advertisement, invitation or document relating to the securities which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

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Non-insured Product: These securities are not insured by any governmental agency. These securities are not bank deposits and are not covered by the Hong Kong Deposit Protection Scheme.

Singapore

This pricing supplement and the accompanying product supplement, underlying supplement, prospectus supplement and prospectus have not been registered as a prospectus with the Monetary Authority of Singapore, and the securities will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the "Securities and Futures Act"). Accordingly, the securities may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this pricing supplement or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any securities be circulated or distributed, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person under Section 275(1) of the Securities and Futures Act or to any person pursuant to Section 275(1A) of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act. Where the securities are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the (a) sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor, securities (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the relevant securities pursuant to an offer under Section 275 of the Securities and Futures Act except:

to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to (i) any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act; or

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law; or

(iv) pursuant to Section 276(7) of the Securities and Futures Act; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Any securities referred to herein may not be registered with any regulator, regulatory body or similar organization or institution in any jurisdiction.

The securities are Specified Investment Products (as defined in the Notice on Recommendations on Investment Products and Notice on the Sale of Investment Product issued by the Monetary Authority of Singapore on 28 July 2011) that is neither listed nor quoted on a securities market or a futures market.

Non-insured Product: These securities are not insured by any governmental agency. These securities are not bank deposits. These securities are not insured products subject to the provisions of the Deposit Insurance and Policy Owners' Protection Schemes Act 2011 of Singapore and are not eligible for deposit insurance coverage under the Deposit Insurance Scheme.

#### Contact

Clients may contact their local brokerage representative. Third-party distributors may contact Citi Structured Investment Sales at (212) 723-7005.

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