

INDEPENDENCE HOLDING CO  
Form 8-K  
August 07, 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) August 6, 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 August 6, 2015, Independence Holding Company issued a news release announcing its 2015 Second-Quarter and Six-Month 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 August 6, 2015: Independence Holding Company Announces 32% Increase in 2015 Second-Quarter Results and 37% Increase in Six-Month 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: August 7, 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 32% INCREASE IN 2015  
SECOND-QUARTER RESULTS AND 37% INCREASE IN SIX-MONTH RESULTS**

Stamford, Connecticut, August 6, 2015. Independence Holding Company (NYSE: IHC) today reported 2015 second-quarter and six-month results.

***Financial Results***

Net income attributable to IHC increased 32% to \$.29 per share, diluted, or \$5,032,000, for the three months ended June 30, 2015 compared to \$.22 per share, diluted, or \$3,848,000, for the three months ended June 30, 2014. Net income attributable to IHC increased 37% to \$.59 per share, diluted, or \$10,251,000, for the six months ended June 30, 2015 compared to \$.43 per share, diluted, or \$7,549,000, for the six months ended June 30, 2014.

Revenues decreased \$2,914,000 to \$133,105,000 for the three months ended June 30, 2015 compared to revenues for the three months ended June 30, 2014. Revenues decreased \$9,721,000 to \$267,370,000 for the six months ended June 30, 2015 compared to revenues for the six months ended June 30, 2014. The decrease in revenues is primarily due to the runoff of major medical premiums from lines that we exited largely as a result of the requirements of the Affordable Care Act ( ACA ) and amounted to \$12,912,000 for the second quarter and \$31,699,000 for the first six months of 2014, 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, "Our significant earnings increase in the current quarter and for the six months was largely driven by continued growth in earned premium and significantly increased earnings from our direct medical stop-loss and group life, disability and DBL lines of business, and increased earnings from our specialty health line of business. We continue to see strong growth in our direct written stop loss business, increasing 38% in the twelve months ended July 2015. This growth has been driven by increased persistency and strong sales as a result of our industry leading suite of product features and options as well as solutions, such as our group captive model, that respond to the emerging needs of small and medium size employers. The Company

currently has \$285 million in direct in-force gross premiums and is expected to exceed \$300 million by the end of 2015. Our disciplined underwriting approach has resulted in consistent underwriting margins, thus producing a growing contribution to net income. Our earnings were also positively impacted by our specialty health business, which grew significantly and has produced very positive profit margins in 2015. Our earnings should also reflect an immediate increase as a result of Madison National Life (MNL) and Standard Security Life completing the reinsurance of substantially all of their run-off blocks of individual life and annuities and the sale of MNL's infrastructure related to those blocks for an aggregate purchase price of \$42 million.

Despite a significant increase in premiums for the products we are currently selling, exiting major medical has negatively impacted our revenues for the first six months, although this impact will lessen over future quarters. We believe the proposed mergers of four of the largest health insurers and the exit of another significant player from the individual and certain specialty lines will create significant opportunities for our niche products, including short term

medical and small group self-funding. The consolidation of traditional health insurers will create tremendous growth in health payer systems offering their own insurance products. We are confident that our fully insured national administrator can utilize its advanced IT platform to be a market leader in providing solutions to these payer systems.

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 \$17.13 per share at June 30, 2015 from \$16.76 per share at December 31, 2014, and our total stockholders' equity increased to \$297 million at June 30, 2015 compared to \$291 million at December 31, 2014.

### ***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**

**SECOND QUARTER REPORT**

**June 30, 2015**

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

|   | <b>Three Months Ended<br/>June 30,</b> |             | <b>Six Months Ended<br/>June 30,</b> |             |
|---|--|-------------|--------------------------------------|-------------|
|   | <b>2015</b>                            | <b>2014</b> | <b>2015</b>                          | <b>2014</b> |
| <b>REVENUES:</b>  |  |             |                                      |             |
| Premiums earned   | \$ 120,443                             | \$ 121,135  | \$ 242,557                           | \$ 244,405  |
| Net investment income   | 4,505                                  | 5,434       | 9,946                                | 11,235      |
| Fee income  | 4,487                                  | 3,861       | 8,203                                | 13,200      |
| Other income  | 1,570                                  | 1,070       | 2,564                                | 2,181       |
| Net realized investment gains                                 | 2,100                                  | 4,519       | 4,100                                | 6,070       |
|   | 133,105                                | 136,019     | 267,370                              | 277,091     |
| <b>EXPENSES:</b>  |  |             |                                      |             |
| Insurance benefits, claims and reserves                       | 79,380                                 | 83,263      | 159,000                              | 168,572     |
| Selling, general and administrative expenses                  | 43,702                                 | 44,947      | 87,851                               | 93,082      |
| Amortization of deferred acquisitions costs                   | 1,424                                  | 1,189       | 2,888                                | 2,471       |
| Interest expense on debt                                      | 478                                    | 337         | 910                                  | 818         |
|   | 124,984                                | 129,736     | 250,649                              | 264,943     |
| Income before income taxes                                    | 8,121                                  | 6,283       | 16,721                               | 12,148      |
| Income taxes  | 2,965                                  | 2,403       | 6,234                                | 4,263       |
| <b>Net income</b>   | 5,156                                  | 3,880       | 10,487                               | 7,885       |
| Less: income from noncontrolling interests<br>in subsidiaries | (124)                                  | (32)        | (236)                                | (336)       |
| <b>NET INCOME ATTRIBUTABLE TO IHC</b>                         | \$ 5,032                               | \$ 3,848    | \$ 10,251                            | \$ 7,549    |
| <b>Basic income per common share</b>                          | \$ .29                                 | \$ .22      | \$ .59                               | \$ .43      |
| <b>WEIGHTED AVERAGE SHARES<br/>OUTSTANDING</b>                | 17,338                                 | 17,485      | 17,351                               | 17,553      |

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|  |    |        |    |        |    |        |    |        |
|--|----|--------|----|--------|----|--------|----|--------|
| <b>Diluted income per common share</b>                 | \$ | .29    | \$ | .22    | \$ | .59    | \$ | .43    |
| <b>WEIGHTED AVERAGE DILUTED SHARES<br/>OUTSTANDING</b> |    | 17,501 |    | 17,657 |    | 17,516 |    | 17,709 |

**As of August 1, 2015, there were 17,299,351 common shares outstanding, net of treasury shares.**

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

|  | <b>June 30,<br/>2015</b> | <b>December 31,<br/>2014</b> |
|--|--------------------------|------------------------------|
| <b>ASSETS:</b>                                   |                          |                              |
| Investments:                                     |                          |                              |
| Short-term investments                           | \$ 50                    | \$ 50                        |
| Securities purchased under agreements to resell  | 23,429                   | 16,790                       |
| Trading securities                               | 9,242                    | 11,095                       |
| Fixed maturities, available-for-sale             | 608,256                  | 583,880                      |
| Equity securities, available-for-sale            | 9,051                    | 13,895                       |
| Other investments                                | 23,745                   | 25,251                       |
| Total investments                                | 673,773                  | 650,961                      |
| Cash and cash equivalents                        | 23,547                   | 25,083                       |
| Deferred acquisition costs                       | 31,767                   | 30,806                       |
| Due and unpaid premiums                          | 66,473                   | 62,628                       |
| Due from reinsurers                              | 266,597                  | 278,242                      |
| Premium and claim funds                          | 33,061                   | 32,553                       |
| Goodwill   | 56,452                   | 50,318                       |
| Other assets                                     | 51,533                   | 57,126                       |
| <b>TOTAL ASSETS</b>                              | <b>\$ 1,203,203</b>      | <b>\$ 1,187,717</b>          |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>      |                          |                              |
| <b>LIABILITIES:</b>                              |                          |                              |
| Policy benefits and claims                       | \$ 249,556               | \$ 236,803                   |
| Future policy benefits                           | 275,501                  | 277,041                      |
| Funds on deposit                                 | 181,307                  | 186,782                      |
| Unearned premiums                                | 12,176                   | 9,455                        |
| Other policyholders' funds                       | 17,637                   | 18,802                       |
| Due to reinsurers                                | 49,067                   | 47,945                       |
| Accounts payable, accruals and other liabilities | 65,516                   | 67,641                       |
| Debt   | 8,326                    | 4,000                        |
| Junior subordinated debt securities              | 38,146                   | 38,146                       |
| <b>TOTAL LIABILITIES</b>                         | <b>897,232</b>           | <b>886,615</b>               |

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

|  |          |          |
|--|----------|----------|
| Preferred stock (none issued)          | -        | -        |
| Common stock                           | 18,553   | 18,531   |
| Paid-in capital                        | 127,451  | 127,098  |
| Accumulated other comprehensive income | (3,217)  | 22       |
| Treasury stock, at cost                | (12,880) | (12,141) |
| Retained earnings                      | 167,092  | 157,667  |

**TOTAL IHC STOCKHOLDERS' EQUITY**

296,999

291,177

**NONCONTROLLING INTERESTS IN SUBSIDIARIES**

8,972

9,925

**TOTAL EQUITY**

305,971

301,102

**TOTAL LIABILITIES AND  
EQUITY**

\$ 1,203,203

\$ 1,187,717