

INDEPENDENCE HOLDING CO  
Form 8-K  
August 15, 2016

**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 15, 2016

**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 15, 2016, Independence Holding Company issued a news release announcing its 2016 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 15, 2016: Independence Holding Company Announces 2016 Second-Quarter and 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 15, 2016

*/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**

**2016 SECOND-QUARTER AND SIX-MONTH RESULTS**

Stamford, Connecticut, August 15, 2016. Independence Holding Company (NYSE: IHC) today reported 2016 second-quarter and six-month results.

***Financial Results***

Net income attributable to IHC of \$4,436,000, or \$.26 per share diluted, for the three months ended June 30, 2016 decreased from \$5,032,000, or \$.29 per share diluted, in the same period of 2015. Income from continuing operations decreased to \$.25 per share, diluted, or \$4,495,000, for the three months ended June 30, 2016 compared to \$.29 per share, diluted, or \$5,222,000, for the three months ended June 30, 2015. The decrease is primarily due to a lower amount of net realized gains for the second quarter of 2016 compared to the same quarter in 2015.

On March 31, 2016, IHC completed the sale of IHC Risk Solutions LLC ( Risk Solutions ) and exited the medical stop-loss business. Additionally, in connection with the sale, all of IHC's in-force medical stop-loss business produced by Risk Solutions is 100% co-insured as of January 1, 2016 and is expected to run out by early 2017.

Net income attributable to IHC of \$110,446,000, or \$6.34 per share diluted, for the six months ended June 30, 2016 increased from \$10,251,000, or \$.59 per share diluted, in the same period of 2015. Income from continuing operations increased to \$.58 per share, diluted, or \$10,391,000, for the six months ended June 30, 2016 compared to \$.56 per share, diluted, or \$9,923,000, for the six months ended June 30, 2015. The increase in income from continuing operations is primarily due to ceding commissions earned as a result of the 100% co-insurance of the Company's stop-loss business produced by Risk Solutions, and higher volume and retention in various lines of business in our Group disability, life and New York statutory disability benefit policies (DBL) segment.

The Company reported revenues of \$77,696,000 and \$153,591,000 for the three months and six months ended June 30, 2016, respectively, compared to revenues for the three months and six months ended June 30, 2015 of \$133,015,000 and \$266,120,000. Revenues decreased primarily due to a reduction in premiums from the 100% co-insurance of the Company's stop-loss business produced by Risk Solutions.

*Chief Executive Officer's Comments*

Roy T. K. Thung, Chief Executive Officer, commented, With the sale of our stop-loss business, IHC finds itself in the extremely enviable position of having a large amount of cash and significant excess statutory surplus in our carriers.

While we have made small investments in two call centers that focus on selling our specialty health products, and are currently negotiating another similar transaction, we have not as yet made a final decision as how best to deploy the vast majority of our liquidity. Having said that, it is important to note that our remaining core lines of business (group long term disability and life, New York statutory disability benefit policies (DBL), and group and individual specialty health insurance, including dental, vision, short term medical, hospital indemnity, gap and scheduled benefit plans) are growing and very profitable. Our overall investment portfolio continues to be very highly rated (on average, AA) and has a

duration of approximately four and a half years. Our book value increased to \$25.58 per share at June 30, 2016 from \$18.73 per share at December 31, 2015, and our total stockholders' equity increased to \$439 million at June 30, 2016 compared to \$323 million at December 31, 2015. Both of these are all-time highs. The closing price of IHC stock on Friday August 12, 2015 was \$16.30, or 64% of our book value, and 74% of our tangible book value. We have increased our stock buyback program from 215,000 shares to 3 million shares. We are very optimistic that we will continue to drive significant increases in shareholder value.

### ***About The IHC Group***

Independence Holding Company (NYSE: IHC) is a holding company that is principally engaged in underwriting, administering and/or distributing group and individual disability, specialty and supplemental health, pet, and life insurance through its subsidiaries since 1980. The IHC Group (including through its 91.4% ownership of American Independence Corp. (NASDAQ: AMIC)) owns three insurance companies (Standard Security Life Insurance Company of New York, Madison National Life Insurance Company, Inc. and Independence American Insurance Company), a majority of Ebix Health Administration Exchange, Inc., a fully insured third party administrator, and IHC Specialty Benefits, Inc., which is a technology-driven insurance sales and marketing company that creates value for insurance producers, carriers and consumers (both individuals and small businesses) through a suite of proprietary tools and products (including ACA plans and small group medical stop-loss). All products are placed with highly rated carriers.

### ***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, 2016**

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

|   | <b>Three Months Ended<br/>June 30,</b> |                 | <b>Six Months Ended<br/>June 30,</b> |                  |
|---|--|-----------------|--------------------------------------|------------------|
|   | <b>2016</b>                            | <b>2015</b>     | <b>2016</b>                          | <b>2015</b>      |
| <b>REVENUES:</b>  |  |                 |                                      |                  |
| Premiums earned   | \$ 65,627                              | \$ 120,443      | \$ 128,189                           | \$42,557         |
| Net investment income   | 4,260                                  | 4,488           | 8,696                                | 9,910            |
| Fee income  | 3,412                                  | 4,417           | 8,491                                | 6,994            |
| Other income  | 3,379                                  | 1,567           | 6,637                                | 2,559            |
| Net realized investment gains                                   | 1,018                                  | 2,100           | 1,578                                | 4,100            |
|   | 77,696                                 | 133,015         | 153,591                              | 266,120          |
| <b>EXPENSES:</b>  |  |                 |                                      |                  |
| Insurance benefits, claims and reserves                         | 40,477                                 | 79,380          | 71,220                               | 159,000          |
| Selling, general and administrative expenses                    | 29,897                                 | 44,954          | 65,124                               | 90,438           |
| Interest expense on debt  | 473                                    | 478             | 926                                  | 910              |
|   | 70,847                                 | 124,812         | 137,270                              | 250,348          |
| Income from continuing operations before income taxes           | 6,849                                  | 8,203           | 16,321                               | 15,772           |
| Income taxes  | 2,354                                  | 2,981           | 5,930                                | 5,849            |
| <b>Income from continuing operations</b>                        | <b>4,495</b>                           | <b>5,222</b>    | <b>10,391</b>                        | <b>9,923</b>     |
| <b>Discontinued operations:</b>                                 |  |                 |                                      |                  |
| Income (loss) from discontinued operations, before income taxes | -                                      | (82)            | 117,636                              | 949              |
| Income taxes (benefits) on discontinued operations              | (142)                                  | (16)            | 7,724                                | 385              |
| Income (loss) from discontinued operations                      | 142                                    | (66)            | 109,912                              | 564              |
| <b>Net income</b>   | <b>4,637</b>                           | <b>5,156</b>    | <b>120,303</b>                       | <b>10,487</b>    |
| Less: Income from noncontrolling interests in subsidiaries      | (201)                                  | (124)           | (9,857)                              | (236)            |
| <b>NET INCOME ATTRIBUTABLE TO IHC</b>                           | <b>\$ 4,436</b>                        | <b>\$ 5,032</b> | <b>\$ 110,446</b>                    | <b>\$ 10,251</b> |

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**Basic income per common share:**

|  |        |        |         |        |
|--|--------|--------|---------|--------|
| Income from continuing operations          | \$ .25 | \$ .29 | \$ .59  | \$ .56 |
| Income (loss) from discontinued operations | .01    | (.00)  | 5.83    | .03    |
| Basic income per common share              | \$ .26 | \$ .29 | \$ 6.42 | \$ .59 |

**WEIGHTED AVERAGE SHARES OUTSTANDING**

|        |        |        |        |
|--------|--------|--------|--------|
| 17,204 | 17,338 | 17,223 | 17,351 |
|--------|--------|--------|--------|

**Diluted income per common share:**

|  |        |        |         |        |
|--|--------|--------|---------|--------|
| Income from continuing operations          | \$ .25 | \$ .29 | \$ .58  | \$ .56 |
| Income (loss) from discontinued operations | .01    | (.00)  | 5.76    | .03    |
| Diluted income per common share            | \$ .26 | \$ .29 | \$ 6.34 | \$ .59 |

**WEIGHTED AVERAGE DILUTED SHARES  
OUTSTANDING**

|        |        |        |        |
|--------|--------|--------|--------|
| 17,417 | 17,501 | 17,433 | 17,516 |
|--------|--------|--------|--------|

**As of August 12, 2016, there were 17,170,933 common shares outstanding, net of treasury shares.**

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

|   | <b>June 30,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|---|--------------------------|------------------------------|
| <b>ASSETS:</b>                                      |                          |                              |
| Investments:  |                          |                              |
| Short-term investments                              | \$ 50                    | \$ 50                        |
| Securities purchased under agreements to resell     | 16,232                   | 28,285                       |
| Trading securities                                  | 1,216                    | 1,259                        |
| Fixed maturities, available-for-sale                | 560,135                  | 428,601                      |
| Equity securities, available-for-sale               | 8,941                    | 8,426                        |
| Other investments                                   | 20,294                   | 21,538                       |
| Total investments                                   | 606,868                  | 488,159                      |
| Cash and cash equivalents                           | 26,624                   | 17,500                       |
| Due and unpaid premiums                             | 59,386                   | 69,075                       |
| Due from reinsurers                                 | 488,337                  | 483,073                      |
| Premium and claim funds                             | 24,671                   | 22,015                       |
| Goodwill  | 47,276                   | 47,276                       |
| Other assets  | 44,718                   | 57,934                       |
| Assets attributable to discontinued operations      | -                        | 12,931                       |
| <b>TOTAL ASSETS</b>                                 | <b>\$ 1,297,880</b>      | <b>\$ 1,197,963</b>          |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>         |                          |                              |
| <b>LIABILITIES:</b>                                 |                          |                              |
| Policy benefits and claims                          | \$ 247,568               | \$ 245,443                   |
| Future policy benefits                              | 233,603                  | 270,624                      |
| Funds on deposit                                    | 150,040                  | 173,350                      |
| Unearned premiums                                   | 11,747                   | 10,236                       |
| Other policyholders' funds                          | 9,695                    | 11,822                       |
| Due to reinsurers                                   | 81,550                   | 46,355                       |
| Accounts payable, accruals and other liabilities    | 60,406                   | 64,109                       |
| Liabilities attributable to discontinued operations | 2,410                    | (15)                         |
| Debt  | 4,025                    | 5,189                        |
| Junior subordinated debt securities                 | 38,146                   | 38,146                       |
| <b>TOTAL LIABILITIES</b>                            | <b>839,190</b>           | <b>865,259</b>               |

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

|   |                     |                     |
|---|---------------------|---------------------|
| Preferred stock (none issued)                   | -                   | -                   |
| Common stock                                    | 18,584              | 18,569              |
| Paid-in capital                                 | 128,303             | 127,733             |
| Accumulated other comprehensive income (loss)   | 4,054               | (3,440)             |
| Treasury stock, at cost                         | (15,753)            | (13,961)            |
| Retained earnings                               | 304,075             | 194,450             |
| <b>TOTAL IHC STOCKHOLDERS EQUITY</b>            | <b>439,263</b>      | <b>323,351</b>      |
| <b>NONCONTROLLING INTERESTS IN SUBSIDIARIES</b> | <b>19,427</b>       | <b>9,353</b>        |
| <b>TOTAL EQUITY</b>                             | <b>458,690</b>      | <b>332,704</b>      |
| <b>TOTAL LIABILITIES AND EQUITY</b>             | <b>\$ 1,297,880</b> | <b>\$ 1,197,963</b> |