



November 9, 2016

Independence Holding Company Announces 2016 Third-Quarter and Nine-Month Results

STAMFORD, Conn., Nov. 09, 2016 (GLOBE NEWSWIRE) -- Independence Holding Company (NYSE:IHC) today reported 2016 third-quarter and nine-month results.

Financial Results

Net income attributable to IHC of \$4,323,000, or \$.25 per share diluted, for the three months ended September 30, 2016 decreased from \$14,760,000, or \$.85 per share diluted, in the same period of 2015. Income from continuing operations decreased to \$.25 per share, diluted, or \$4,366,000, for the three months ended September 30, 2016 compared to \$.81 per share, diluted, or \$14,159,000, for the three months ended September 30, 2015. The Company recorded two significant gains in the quarter ended September 30, 2015, which had a significant positive impact in 2015 but not 2016. The first was a gain of \$3,285,000, net of applicable income tax, from the reinsurance of substantially all of our run-off blocks of individual life and annuities and the sale of the infrastructure related to those blocks. The second, effective September 1, 2015, related to IHC entering into a joint venture with Ebix, Inc. to form Ebix Health Exchange Holdings, LLC, which acquired our subsidiary Ebix Health Administration Exchange (fka IHC Health Solutions, Inc.). The transaction resulted in a gain of \$6,884,000, net of applicable income tax.

Net income attributable to IHC of \$114,769,000, or \$6.60 per share diluted, for the nine months ended September 30, 2016 increased from \$25,011,000, or \$1.43 per share diluted, in the same period of 2015. As IHC previously reported, we completed the sale of IHC Risk Solutions, LLC ("Risk Solutions") and exited the medical stop-loss business. The Company recorded a gain on this transaction of \$99,934,000, net of applicable income taxes and noncontrolling interest, and is reflected in discontinued operations on our Condensed Consolidated Statement of Income for the nine months ended September 30, 2016. Income from continuing operations decreased to \$.83 per share, diluted, or \$14,757,000, for the nine months ended September 30, 2016 compared to \$1.36 per share, diluted, or \$24,082,000, for the nine months ended September 30, 2015, because there was no amount in 2016 comparable to the two significant gains recorded in 2015 noted above.

The Company reported revenues of \$78,542,000 and \$232,133,000 for the three months and nine months ended September 30, 2016, respectively, compared to revenues for the three months and nine months ended September 30, 2015 of \$139,773,000 and \$405,893,000, respectively. 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, "Over the last several years, IHC's insurance companies have transformed themselves by moving into lines of business that have higher margins, are less capital intensive and are less volatile. In addition, we are much stronger at the parent company level. We are in the extremely enviable position of having a large amount of cash and significant excess statutory surplus in our carriers, and we will be debt free by the end of the year. We are now a specialty benefits company with multiple group and individual specialty health lines and niche specialty group disability (including New York statutory disability benefit policies (DBL)) and group life lines. After we sold our stop-loss business, we made four relatively small investments to bolster the distribution of our specialty health products, including pet insurance, and to acquire worksite marketing expertise. We will continue to seek additional strategic investments, but we have not as yet made a final decision as how best to deploy the vast majority of our liquidity. 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 \$25.72 per share at September 30, 2016 from \$18.73 per share at December 31, 2015, and our total stockholders' equity increased to \$439 million at September 30, 2016 compared to \$323 million at December 31, 2015. Both of these amounts are all-time highs."

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 specialty benefit products, including disability, supplemental health, pet, and group life insurance through its subsidiaries since 1980. The IHC Group owns three insurance companies (Standard Security Life Insurance Company of New York, Madison National Life Insurance Company, Inc. and Independence American Insurance Company), a minority interest in Ebix Health Administration Exchange, Inc., a fully insured third party administrator, and IHC

Specialty Benefits, Inc., 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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

September 30, 2016

(In Thousands, Except Per Share Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
REVENUES:				
Premiums earned	\$ 67,335	\$ 119,038	\$ 195,524	\$ 361,595
Net investment income	4,004	3,920	12,700	13,830
Fee income	4,050	2,201	12,541	9,195
Other income	2,261	5,790	8,898	8,349
Gain on sale of subsidiary to joint venture	-	10,161	-	10,161
Net realized investment gains	2,367	(1,109)	3,945	2,991
Net impairment losses recognized in earnings	(1,475)	(228)	(1,475)	(228)
	<u>78,542</u>	<u>139,773</u>	<u>232,133</u>	<u>405,893</u>
EXPENSES:				
Insurance benefits, claims and reserves	38,277	74,218	109,497	233,218
Selling, general and administrative expenses	32,823	43,202	97,947	133,640
Interest expense on debt	440	444	1,366	1,354
	<u>71,540</u>	<u>117,864</u>	<u>208,810</u>	<u>368,212</u>
Income before income taxes	7,002	21,909	23,323	37,681
Income taxes	2,636	7,750	8,566	13,599
Income from continuing operations	<u>4,366</u>	<u>14,159</u>	<u>14,757</u>	<u>24,082</u>
Discontinued operations:				
Income from discontinued operations, before income taxes	-	1,305	117,636	2,254
Income taxes on discontinued operations	-	576	7,724	961
Income from discontinued operations	<u>-</u>	<u>729</u>	<u>109,912</u>	<u>1,293</u>
Net income	<u>4,366</u>	<u>14,888</u>	<u>14,757</u>	<u>25,375</u>
Less: income from noncontrolling interests in subsidiaries	(43)	(128)	(9,900)	(364)

NET INCOME ATTRIBUTABLE TO IHC	\$ <u>4,323</u>	\$ <u>14,760</u>	\$ <u>114,769</u>	\$ <u>25,011</u>
Basic income per common share:				
Income from continuing operations	\$.25	\$.81	\$ 0.83	\$ 1.36
Income from discontinued operations	.00	.04	5.77	.07
Basic income per common share	\$ <u>.25</u>	\$ <u>.85</u>	\$ <u>6.60</u>	\$ <u>1.43</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>17,120</u>	<u>17,292</u>	<u>17,189</u>	<u>17,331</u>
Diluted income per common share:				
Income from continuing operations	\$.25	\$.81	\$ 0.83	\$ 1.36
Income from discontinued operations	.00	.04	5.77	.07
Diluted income per common share	\$ <u>.25</u>	\$ <u>.85</u>	\$ <u>6.60</u>	\$ <u>1.43</u>
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	<u>17,340</u>	<u>17,457</u>	<u>17,402</u>	<u>17,496</u>

As of November 7, 2016, there were 17,067,875 common shares outstanding, net of treasury shares.

INDEPENDENCE HOLDING COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
ASSETS:		
Investments:		
Short-term investments	\$ 8,151	\$ 50
Securities purchased under agreements to resell	11,282	28,285
Trading securities	1,135	1,259
Fixed maturities, available-for-sale	472,348	428,601
Equity securities, available-for-sale	6,685	8,426
Other investments	21,178	21,538
Total investments	<u>520,779</u>	<u>488,159</u>
Cash and cash equivalents	79,208	17,500
Due and unpaid premiums	57,454	69,075
Due from reinsurers	478,845	483,073
Premium and claim funds	25,881	22,015
Goodwill	41,573	47,276
Other assets	47,065	57,934
Assets attributable to discontinued operations	-	12,931
TOTAL ASSETS	<u>\$ 1,250,805</u>	<u>\$ 1,197,963</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Policy benefits and claims	\$ 242,819	\$ 245,443
Future policy benefits	233,261	270,624
Funds on deposit	150,651	173,350
Unearned premiums	11,567	10,236
Other policyholders' funds	9,797	11,822

Due to reinsurers	66,577	46,355
Accounts payable, accruals and other liabilities	55,930	64,109
Liabilities attributable to discontinued operations	408	(15)
Debt	-	5,189
Junior subordinated debt securities	<u>38,146</u>	<u>38,146</u>
TOTAL LIABILITIES	<u>809,156</u>	<u>865,259</u>
STOCKHOLDERS' EQUITY:		
IHC STOCKHOLDERS' EQUITY:		
Preferred stock (none issued)	-	-
Common stock	18,586	18,569
Paid-in capital	126,001	127,733
Accumulated other comprehensive income	3,448	(3,440)
Treasury stock, at cost	(17,483)	(13,961)
Retained earnings	<u>308,415</u>	<u>194,450</u>
TOTAL IHC STOCKHOLDERS' EQUITY	438,967	323,351
NONCONTROLLING INTERESTS IN SUBSIDIARIES	<u>2,682</u>	<u>9,353</u>
TOTAL EQUITY	<u>441,649</u>	<u>332,704</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,250,805</u>	<u>\$ 1,197,963</u>

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