



August 9, 2017

Independence Holding Company Announces 2017 Second-Quarter and Six-Month Results

STAMFORD, Conn., Aug. 09, 2017 (GLOBE NEWSWIRE) -- Independence Holding Company (NYSE:IHC) today reported 2017 second-quarter and six-month results.

Financial Results

Income from continuing operations after tax increased to \$.86 per share, diluted, or \$14,307,000, for the three months ended June 30, 2017 compared to \$.25 per share, diluted, or \$4,495,000, for the three months ended June 30, 2016, primarily due to \$11,589,000 of tax benefits from a worthless stock deduction recognized as a result of the winding down and dissolution of a subsidiary in the second quarter of 2017. Income from continuing operations after tax increased to \$1.15 per share, diluted, or \$19,316,000, for the six months ended June 30, 2017 compared to \$.58 per share, diluted, or \$10,391,000, for the three months ended June 30, 2016. Net income attributable to IHC of \$14,331,000, or \$.86 per share diluted, for the three months ended June 30, 2017 increased from \$4,436,000, or \$.26 per share diluted, in the same period of 2016.

On March 31, 2016, IHC completed the sale of IHC Risk Solutions LLC ("Risk Solutions"), exited the medical stop-loss business and realized an after tax gain of approximately \$99,934,000, net of noncontrolling interest in the six-month period ended June 30, 2016. In addition, under the purchase and sale agreement, all of IHC's in-force medical stop-loss business produced by Risk Solutions was 100% co-insured as of January 1, 2016 and will be run out in 2017 as evidenced by the decrease in income from the stop-loss segment in 2017. Net income attributable to IHC of \$19,267,000, or \$1.15 per share diluted, for the six months ended June 30, 2017 decreased from \$110,446,000, or \$6.34 per share diluted, in the same period of 2016 primarily due to the gain on sale of Risk Solutions in 2016 partially offset by the aforementioned tax benefit recorded in 2017.

The Company reported revenues of \$82,237,000 for the three months ended June 30, 2017 compared to revenues for the three months ended June 30, 2016 of \$77,696,000. The Company reported revenues of \$154,077,000 for the six months ended June 30, 2017 compared to revenues for the six months ended June 30, 2016 of \$153,591,000. Revenues increased only slightly primarily due to significant increases in specialty health premiums largely offset by a reduction in premiums from the exit of the Company's stop-loss business.

Chief Executive Officer's Comments

Roy T. K. Thung, Chief Executive Officer, commented, "We are pleased with our second quarter and six-month results, particularly when considering that the second quarter and six months of 2016 included \$1.4 million and \$8.5 million, respectively, more in earnings from the medical stop-loss segment than did the comparable periods in 2017. These decreases were largely offset by increased earnings from the specialty health segment and an increase in corporate investment income on the proceeds from the sale of Risk Solutions. The sale of Risk Solutions and exiting the medical stop-loss segment generated significant liquidity and excess capital. We have redeployed some of this excess to purchase equity stakes in several companies that distribute our products (including the recent acquisition of PetPartners, Inc.), to repurchase IHC stock, and to pay off all of our debt.

We are now one of the fastest growing providers of specialty health products in the United States, and several of the largest health insurers and e-brokers in the country are now distributing a significant amount of our products. There is a growing need for our products as a result of the turmoil surrounding Affordable Care Act plans on and off the exchanges, with consumers experiencing enormous rate increases and lack of products to choose from in many counties. As a result, we are expecting to have a significant increase in sales during open enrollment. In anticipation of this growth we have begun to make material enhancements to our systems and infrastructure and will contribute additional capital to Independence American Insurance Company if needed from our excess liquidity. For these reasons, we believe that we will have solid sales growth for the balance of 2017, and will report significantly higher earned premiums and income in this segment in 2018."

Mr. Thung continued, "During the first six months of 2017, the Company repurchased an aggregate 2,109,887 shares of our common stock at a total cost of \$42.1 million primarily through a tender offer at a price per share of \$20.00, and through private purchases. Our parent company's balance sheet is very strong, we have no debt, and we still have substantial cash and un-deployed capital. Our stock is trading at a significant discount to book value of \$27.89 per share at June 30, 2017

compared to \$25.53 per share at December 31, 2016, and \$18.73 per share at December 31, 2015. Our overall investment portfolio continues to be very highly rated (on average, AA) and has a duration of approximately five years."

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), 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

June 30, 2017

(In Thousands, Except Per Share Data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
REVENUES:				
Premiums earned	\$ 71,927	\$ 65,627	\$ 134,868	\$ 128,189
Net investment income	4,100	4,260	8,011	8,696
Fee income	5,697	3,412	8,922	8,491
Other income	413	3,379	2,004	6,637
Net realized investment gains	100	1,018	272	1,578
	<u>82,237</u>	<u>77,696</u>	<u>154,077</u>	<u>153,591</u>
EXPENSES:				
Insurance benefits, claims and reserves	37,324	40,477	69,535	71,220
Selling, general and administrative expenses	40,985	29,897	73,067	65,124
Interest expense on debt	-	473	-	926
	<u>78,309</u>	<u>70,847</u>	<u>142,602</u>	<u>137,270</u>
Income from continuing operations before income taxes	3,928	6,849	11,475	16,321
Income taxes (benefits)	(10,379)	2,354	(7,841)	5,930
Income from continuing operations, net of tax	14,307	4,495	19,316	10,391
Discontinued operations				
Income from discontinued operations, before income taxes	-	-	-	117,636
Income taxes (benefits) on discontinued operations	-	(142)	-	7,724
Income from discontinued operations, net of tax	<u>-</u>	<u>142</u>	<u>-</u>	<u>109,912</u>

Net income	14,307	4,637	19,316	120,303
Less: (Income) loss from noncontrolling interests in subsidiaries	24	(201)	(49)	(9,857)
NET INCOME ATTRIBUTABLE TO IHC	<u>\$ 14,331</u>	<u>\$ 4,436</u>	<u>\$ 19,267</u>	<u>\$ 110,446</u>
Basic income per common share				
Income from continuing operations	\$.88	\$.25	\$ 1.17	\$.59
Income from discontinued operations	-	.01	-	5.83
Basic income per common share	<u>\$.88</u>	<u>\$.26</u>	<u>\$ 1.17</u>	<u>\$ 6.42</u>
WEIGHTED AVERAGE SHARES OUTSTANDING	<u>16,349</u>	<u>17,204</u>	<u>16,524</u>	<u>17,223</u>
Diluted income per common share				
Income from continuing operations	\$.86	\$.25	\$ 1.15	\$.58
Income from discontinued operations	-	.01	-	5.76
Diluted income per common share	<u>\$.86</u>	<u>\$.26</u>	<u>\$ 1.15</u>	<u>\$ 6.34</u>
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING	<u>16,628</u>	<u>17,417</u>	<u>16,802</u>	<u>17,433</u>

As of August 4, 2017, there were 14,980,761 common shares outstanding, net of treasury shares.

INDEPENDENCE HOLDING COMPANY

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
ASSETS:		
Investments:		
Short-term investments	\$ 50	\$ 6,912
Securities purchased under agreements to resell	14,479	28,962
Trading securities	520	592
Fixed maturities, available-for-sale	434,545	449,487
Equity securities, available-for-sale	5,455	5,333
Other investments	17,665	23,534
Total investments	<u>472,714</u>	<u>514,820</u>
Cash and cash equivalents	22,070	22,010
Due and unpaid premiums	33,830	42,896
Due from reinsurers	395,779	440,285
Premium and claim funds	10,035	17,952
Goodwill	50,697	41,573
Other assets	62,445	54,928
TOTAL ASSETS	<u>\$ 1,047,570</u>	<u>\$ 1,134,464</u>
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Policy benefits and claims	\$ 181,565	\$ 219,113
Future policy benefits	218,291	219,450

Funds on deposit	146,702	145,749
Unearned premiums	8,742	9,786
Other policyholders' funds	10,265	9,769
Due to reinsurers	7,115	35,796
Accounts payable, accruals and other liabilities	51,856	55,477
Liabilities attributable to discontinued operations	-	68
TOTAL LIABILITIES	<u>624,536</u>	<u>695,208</u>

Commitments and contingencies		
Redeemable noncontrolling interest	2,018	-

STOCKHOLDERS' EQUITY:

Preferred stock (none issued)	-	-
Common stock	18,625	18,620
Paid-in capital	126,590	126,468
Accumulated other comprehensive loss	(2,504)	(6,964)
Treasury stock, at cost	(59,588)	(17,483)
Retained earnings	<u>335,185</u>	<u>315,918</u>
TOTAL IHC STOCKHOLDERS' EQUITY	418,308	436,559
NONCONTROLLING INTERESTS IN SUBSIDIARIES	<u>2,708</u>	<u>2,697</u>
TOTAL EQUITY	<u>421,016</u>	<u>439,256</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 1,047,570</u>	<u>\$ 1,134,464</u>

CONTACT: Loan Nisser
(646) 509-2107
www.IHCGroup.com