

INDEPENDENCE HOLDING CO  
Form 8-K  
August 08, 2014

**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 7, 2014

**INDEPENDENCE HOLDING COMPANY**

(Exact name of registrant as specified in its charter)

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

**010306**  
(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 7, 2014, Independence Holding Company issued a news release announcing its 2014 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 7, 2014: Independence Holding Company Announces 2014 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 8, 2014

/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: ADAM VANDERVOORT**  
**(646) 509-2156**  
**www.IHCGroup.com**

**NEWS RELEASE**

**INDEPENDENCE HOLDING COMPANY ANNOUNCES**  
**2014 SECOND-QUARTER AND SIX-MONTH RESULTS**

Stamford, Connecticut, August 7, 2014. Independence Holding Company (NYSE: IHC) today reported 2014 second-quarter and six-month results.

***Financial Results***

Net income attributable to IHC increased to \$.22 per share, diluted, or \$3,848,000, for the three months ended June 30, 2014 compared to \$.21 per share, diluted, or \$3,691,000, for the three months ended June 30, 2013. Net income attributable to IHC decreased to \$.43 per share, diluted, or \$7,549,000, for the six months ended June 30, 2014 compared to \$.47 per share, diluted, or \$8,392,000, for the six months ended June 30, 2013.

Revenues decreased to \$136,019,000 for the three months ended June 30, 2014 compared to revenues for the three months ended June 30, 2013 of \$151,900,000. Revenues decreased to \$277,091,000 for the six months ended June 30, 2014 compared to revenues for the six months ended June 30, 2013 of \$289,782,000. The decrease in revenues for both the second quarter and the first six months of 2014 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 ( ACA ), offset in part by an increase in medical stop-loss and specialty health premiums.

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

Roy Thung, Chief Executive Officer, commented, "We are pleased with the continued growth in earned premium and significantly increased earnings for medical stop-loss, by far our largest line of business, for the second quarter and first six months of the year. We attribute these positive developments to enhanced sales efforts in our direct business, focused underwriting and a general expansion of the market as new employer groups migrate to self-funding from fully insured in response to health care reform. We expect continued improvement in this line of business, as evidenced by the 32% growth in our direct business written in the twelve months ended July 31, 2014, while maintaining consistent profit margins on a growing premium base."

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Our specialty health business increased significantly in the first six months of 2014 compared to last year; however, our fully insured segment continued to be adversely affected by the ACA, including the runoff of major-medical business and the health insurance tax. This adversely impacted the 2014 second quarter by approximately \$1.6 million and the first six months of 2014 by approximately \$3.5 million. In addition, the Company recorded \$1.2 million in amortization of deferred loss in connection with the assumption of certain ceded annuity policies from the prior year's coinsurance agreement. Our overall investment portfolio continues to be very highly rated (on average, AA) and has a duration of approximately six years. Our book value was \$16.18 per share at June 30, 2014, an increase of 6% over the book value per share at December 31, 2013, and our total stockholders' equity is \$282 million at June 30, 2014 compared to \$269 million at December 31, 2013. Through August 1, 2014, we have repurchased 250,559 shares of IHC stock for \$3.3 million at an average price of \$13.35 per share.

We are optimistic that our operating results for the balance of this year will compare favorably to the comparable period in 2013, largely as a result of the continuing growth in premiums and income

from our direct medical stop-loss line of business and of the transition of our fully insured division to being principally a specialty health insurance operation with controlled distribution and higher-margin lines of business. We expect the adverse consequences of the ACA to gradually decline over the next six months and be largely complete by the end of this year.

***About Independence Holding Company***

IHC 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 markets medical stop-loss, group major and limited medical, short-term medical, group long-term and short-term disability and life, group and individual dental, vision and various supplemental products. Madison National Life sells group life and disability, group major and 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.

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 or earnings guidance, and does not undertake to provide any such guidance in the future.

**INDEPENDENCE HOLDING COMPANY****SECOND QUARTER REPORT****June 30, 2014****(In Thousands, Except Per Share Data)**

|                                                               | <b>Three Months Ended<br/>June 30,</b> |                 | <b>Six Months Ended<br/>June 30,</b> |                 |
|---------------------------------------------------------------|----------------------------------------|-----------------|--------------------------------------|-----------------|
|                                                               | <b>2014</b>                            | <b>2013</b>     | <b>2014</b>                          | <b>2013</b>     |
| <b>REVENUES:</b>                                              |                                        |                 |                                      |                 |
| Premiums earned                                               | \$ 121,135                             | \$ 125,465      | \$ 244,405                           | \$ 242,833      |
| Net investment income                                         | 5,434                                  | 7,002           | 11,235                               | 15,003          |
| Fee income                                                    | 3,861                                  | 6,039           | 13,200                               | 12,581          |
| Other income                                                  | 1,070                                  | 1,659           | 2,181                                | 3,011           |
| Net realized investment gains                                 | 4,519                                  | 11,735          | 6,070                                | 16,354          |
|                                                               | 136,019                                | 151,900         | 277,091                              | 289,782         |
| <b>EXPENSES:</b>                                              |                                        |                 |                                      |                 |
| Insurance benefits, claims and reserves                       | 83,263                                 | 89,276          | 168,572                              | 174,736         |
| Selling, general and administrative expenses                  | 44,947                                 | 44,862          | 93,082                               | 87,742          |
| Amortization of deferred acquisitions costs                   | 1,189                                  | 10,948          | 2,471                                | 12,388          |
| Interest expense on debt                                      | 337                                    | 490             | 818                                  | 977             |
|                                                               | 129,736                                | 145,576         | 264,943                              | 275,843         |
| Income before income taxes                                    | 6,283                                  | 6,324           | 12,148                               | 13,939          |
| Income taxes                                                  | 2,403                                  | 2,166           | 4,263                                | 4,741           |
| <b>Net income</b>                                             | <b>3,880</b>                           | <b>4,158</b>    | <b>7,885</b>                         | <b>9,198</b>    |
| Less: income from noncontrolling interests<br>in subsidiaries | (32)                                   | (467)           | (336)                                | (806)           |
| <b>NET INCOME ATTRIBUTABLE TO IHC</b>                         | <b>\$ 3,848</b>                        | <b>\$ 3,691</b> | <b>\$ 7,549</b>                      | <b>\$ 8,392</b> |
| <b>Basic income per common share</b>                          | <b>\$ .22</b>                          | <b>\$ .21</b>   | <b>\$ .43</b>                        | <b>\$ .47</b>   |
|                                                               | 17,485                                 | 17,753          | 17,553                               | 17,836          |

**WEIGHTED AVERAGE SHARES  
OUTSTANDING**

|                                        |    |     |    |     |    |     |    |     |
|----------------------------------------|----|-----|----|-----|----|-----|----|-----|
| <b>Diluted income per common share</b> | \$ | .22 | \$ | .21 | \$ | .43 | \$ | .47 |
|----------------------------------------|----|-----|----|-----|----|-----|----|-----|

**WEIGHTED AVERAGE DILUTED SHARES  
OUTSTANDING**

|        |        |        |        |
|--------|--------|--------|--------|
| 17,657 | 17,805 | 17,709 | 17,922 |
|--------|--------|--------|--------|

**As of August 1, 2014, there were 17,417,586 common shares outstanding, net of treasury shares.**

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

|                                                  | <b>June 30,<br/>2014</b> | <b>December 31,<br/>2013</b> |
|--------------------------------------------------|--------------------------|------------------------------|
| <b>ASSETS:</b>                                   |                          |                              |
| Investments:                                     |                          |                              |
| Short-term investments                           | \$ 50                    | \$ 50                        |
| Securities purchased under agreements to resell  | 19,260                   | 22,594                       |
| Trading securities                               | 11,600                   | 7,125                        |
| Fixed maturities, available-for-sale             | 571,727                  | 542,287                      |
| Equity securities, available-for-sale            | 12,962                   | 11,803                       |
| Other investments                                | 25,599                   | 25,123                       |
| Total investments                                | 641,198                  | 608,982                      |
| Cash and cash equivalents                        | 26,631                   | 24,229                       |
| Deferred acquisition costs                       | 30,106                   | 29,777                       |
| Due and unpaid premiums                          | 59,282                   | 59,435                       |
| Due from reinsurers                              | 331,649                  | 380,229                      |
| Premium and claim funds                          | 39,235                   | 37,353                       |
| Goodwill                                         | 50,318                   | 50,318                       |
| Other assets                                     | 60,446                   | 78,712                       |
| <b>TOTAL ASSETS</b>                              | <b>\$ 1,238,865</b>      | <b>\$ 1,269,035</b>          |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>      |                          |                              |
| <b>LIABILITIES:</b>                              |                          |                              |
| Policy benefits and claims                       | \$ 233,992               | \$ 237,754                   |
| Future policy benefits                           | 283,036                  | 287,449                      |
| Funds on deposit                                 | 234,863                  | 274,826                      |
| Unearned premiums                                | 12,639                   | 12,423                       |
| Other policyholders' funds                       | 22,629                   | 25,129                       |
| Due to reinsurers                                | 37,833                   | 37,113                       |
| Accounts payable, accruals and other liabilities | 77,681                   | 71,889                       |
| Debt                                             | 6,000                    | 6,000                        |
| Junior subordinated debt securities              | 38,146                   | 38,146                       |
| <b>TOTAL LIABILITIES</b>                         | <b>946,819</b>           | <b>990,729</b>               |

**STOCKHOLDERS' EQUITY:**

**IHC STOCKHOLDERS' EQUITY:**

|                                      |          |          |
|--------------------------------------|----------|----------|
| Preferred stock (none issued)        | -        | -        |
| Common stock                         | 18,529   | 18,524   |
| Paid-in capital                      | 126,899  | 126,239  |
| Accumulated other comprehensive loss | (1,519)  | (10,472) |
| Treasury stock, at cost              | (11,039) | (8,169)  |
| Retained earnings                    | 149,555  | 142,669  |

|                                                 |         |         |
|-------------------------------------------------|---------|---------|
| <b>TOTAL IHC STOCKHOLDERS' EQUITY</b>           | 282,425 | 268,791 |
| <b>NONCONTROLLING INTERESTS IN SUBSIDIARIES</b> | 9,621   | 9,515   |

|                     |         |         |
|---------------------|---------|---------|
| <b>TOTAL EQUITY</b> | 292,046 | 278,306 |
|---------------------|---------|---------|

|                                     |              |              |
|-------------------------------------|--------------|--------------|
| <b>TOTAL LIABILITIES AND EQUITY</b> | \$ 1,238,865 | \$ 1,269,035 |
|-------------------------------------|--------------|--------------|