

10% COMMON STOCK DIVIDEND

On March 5, 2012, Independence Holding Company (“IHC”) distributed a special 10% common stock dividend payable to stockholders of record on February 17, 2012. Fractional shares were paid in cash in lieu of stock.

For U.S. holders of IHC common stock, such common stock dividend is expected to be a nontaxable distribution of stock for U.S. Federal income tax purposes. The tax basis of IHC common stock held prior to the receipt of the common stock dividend will be allocated to both the old and new shares by simply dividing the tax basis by the total number of old and new shares to ascertain the tax basis of each share. Fractional shares paid in cash will be treated as if the fractional shares were issued and then redeemed for cash, with gain or loss recognized between the amount of cash received and the tax basis allocated to the fractional shares sold.

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