

# 2016 Annual Meeting of Stockholders

November 11, 2016

*Independence Holding Company*



## IHC at a Glance

- ❑ Specialty health and group life & disability insurance company
- ❑ Founded in 1980, publicly traded on the NYSE
- ❑ Three carriers rated A- (Excellent) by A.M. Best
  - Standard Security Life (New York)
  - Madison National Life (Wisconsin)
  - Independence American Insurance (Delaware)
- ❑ Comprehensive specialty benefit product suite
  - Top three writer of short-term medical
  - Top six market share in NY DBL business
  - Top six writer of pet insurance in the U.S.
- ❑ Vertically integrated infrastructure (from administration to distribution) supporting most products
- ❑ Management team with average tenure of 25+ years



## Carriers

**Standard Security Life Insurance Company**

**Madison National Life Insurance Company**

**Independence American Insurance Company**

## Administration, Pricing and Program Management

**IHC Carrier Solutions  
(Specialty Health)**

**Standard Security Life Insurance Company  
(DBL)**

**Madison National Life Insurance Company  
(Life and Disability)**

## Distribution

**IHC Specialty Benefits  
(Specialty Health)**

Aspira A Más (Latino)  
HealtheDeals.com (D2C)  
PetPlace.com (Pets)  
HED Advisors (Career)  
Call Centers  
Abacus (Worksite)

**Standard Security Life Insurance Company  
(DBL)**

**Madison National Life Insurance Company  
(Life and Disability)**



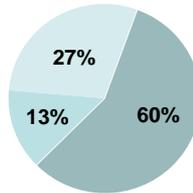
## Executive Summary

- ❑ The Company has transformed its business into a specialty benefit franchise with niche specialty health and group LTD, DBL and life businesses
- ❑ 2016 has been a transition year as legacy businesses run-off (e.g., stop-loss) and as management continues to execute on its plan to redeploy excess capital through strategic investments in distribution and onboarding of new distribution partnerships
- ❑ Several of the management growth initiatives will come to fruition in 2017
- ❑ Well-positioned to leverage changes expected in health insurance marketplaces



# Multi-channel Distribution Network with Long-standing Relationships

Projected  
2016 NP  
\$242M



- Specialty Health
- DBL
- Group Life & LTD

## Distribution Highlights

### Short-Term Medical

- Key distribution partners: web-based entities, large national payers, general agents, call centers, career agency and TeleBrokerage

### DBL

- Nine large general agents with 5,000 brokers collectively write \$25.2M in premium

### Group Life & LTD

- Main distribution partner (Midwest MGU) with expansion opportunity with other distribution partners and niches

### Pet Insurance

- All pet insurance business is currently administered, and mostly all produced, by one TPA under a mutually exclusive agreement
- Recently purchased PetPlace.com and negotiating new distribution and TPA deals for 2017

### Dental

- Key distribution partners: web-based entities, call centers, career agency and TeleBrokerage

### Limited Benefit and Hospital Indemnity

- Key distribution partners: web-based entities, large national payers, general agents, call centers and career agency



## Varied Distribution Sources

### Brokerage

General Agents  
12 Company-owned GAs

### Direct-to-Consumer

HealthDeals.com  
HealthDeals Family and  
Call Center  
HealthInsurance.org  
PetPlace.com

### Worksite

Abacus

### Private Label

Blue Cross  
Organizations  
Large National Payers  
Midwest MGU for LTD

### Aspira A Más

Focused on Hispanic  
Market



## 2016 IHC Accomplishments

- ❑ Stop-loss
  - Sold IHCRS for \$152.5M with a gain of \$110M
  
- ❑ Took AMIC Private
  
- ❑ IHC Parent Much Stronger
  - \$440M GAAP equity at 6/30/16 vs. \$323M at 12/31/15
  - Retired \$38.2M Trust Preferred – no debt as of 12/31/16
  - \$90M cash at corporate entities after retirement of Trust Preferred
  - Excess statutory surplus in insurance companies
  
- ❑ Bolstered Sales of Higher-Margin Specialty Products Through Acquisitions and Distribution Partnerships
  - Investments in two agencies producing limited medical and hospital indemnity (HIP) for IHC
  - Purchased PetPlace.com
  - Invested in worksite marketing company
  - Distribution deal with large national payers



## IHC Per-Share Value

- ❑ As market prices warrant, buy back shares of IHC
- ❑ Recent price levels:
  - ❑ IHC book value \$25.72 as of September 30, 2016
    - Trading at 71 percent of book value\*
  - ❑ Russell 2000 Insurance: Life Index is at 87 percent of book value\*
  - ❑ NASDAQ Insurance Index is at 134 percent of book value\*

\*market price of \$18.35 for IHC as of November 9, 2016



## IHC Results of Continuing Operations\*

Year	Reported
Q3 2016 YTD	\$0.83
2015 <sup>1</sup>	\$1.58
2014 <sup>2</sup>	\$0.83
2013 <sup>3</sup>	\$0.79
2012 <sup>4</sup>	\$1.05

1. The year ended 2015 includes a \$6.7 million gain, net of tax, resulting from the deconsolidation of a subsidiary and corresponding joint venture transaction, and a \$3.3 million gain, net of tax, on the sale of the infrastructure associated with the administration of substantially all of our individual life and annuity policies ceded in 2015.
2. The year ended 2014 was negatively affected by \$7.1 million of losses before taxes in our major medical lines that are largely attributable to the requirements of ACA, and positively affected by an increase of \$2.2 million, net of noncontrolling interest, for an increase in the deferred tax asset related to AMIC's federal net operating loss carryforward (NOL).
3. The year ended 2013 was negatively affected by \$9.4 million of losses before taxes in our major medical lines that are largely attributable to the requirements of ACA.
4. IHC's 2012 results were positively affected by an increase of \$4.6 million, net of noncontrolling interest, for an increase in the deferred tax asset related to AMIC's federal NOL.

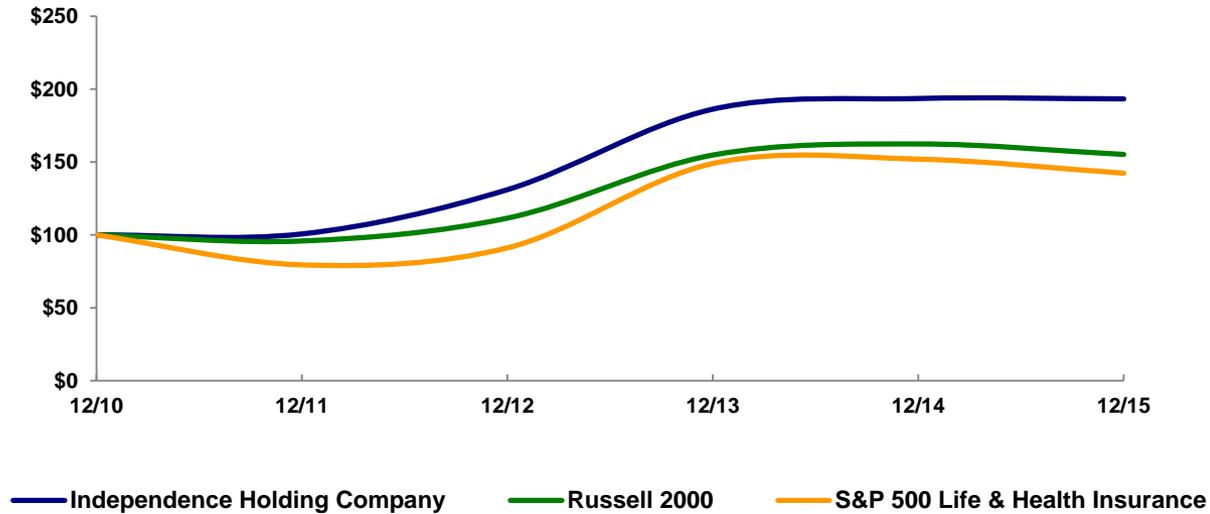
\* Results of operations for prior years have been adjusted for the effects of discontinued operations in order to conform to the 2016 financial statement presentation.



The graph below matches the cumulative five-year total return of holders of Independence Holding Company's common stock with the cumulative total returns of the Russell 2000 and the S&P 500 Life & Health Insurance Index. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was \$100 on 12/31/2010 and tracks it through 12/31/2015.

### COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN\*

Among Independence Holding Company, the Russell 2000 Index, and S&P 500 Life & Health Insurance



\*\$100 invested on 12/31/10 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

Copyright© 2016 S&P, a division of McGraw Hill Financial. All rights reserved.  
Copyright© 2016 Russell Investment Group. All rights reserved.



## Current Strategy

- ❑ **Accelerate growth through significant market opportunity for higher margin, less capital intensive specialty benefit products**
  - Limited medical, HIP, dental, gap plans and STM
  - Pet insurance – high growth market in U.S.
  - DBL – significant growth potential in 2018 due to new law
  - Expansion of group life and disability through new distribution
- ❑ **Expand distribution channels**
  - Selling through BUCAs
  - Emphasize online sales and direct-to-consumer channels through direct agency, call center, [HealthDeals.com](http://HealthDeals.com), [PetPlace.com](http://PetPlace.com), [HealthInsurance.org](http://HealthInsurance.org) and [AspiraAMas.com](http://AspiraAMas.com)
  - Equity investments in agencies for preferred positioning of products
  - New group gap and limited medical distribution
- ❑ **Continue to safeguard our assets**
  - Strong, safe portfolio – overall rated AA
  - Short duration protects against inflation – 6.0 years
- ❑ **Continue to look for strategic investments while analyzing deployment of significant liquidity**



## Forward-Looking Statements

Certain statements in this presentation are “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations, cash flows, plans, objectives, future performance and business of IHC. Forward-looking statements by their nature address matters that are, to differing degrees, uncertain. With respect to IHC, particular uncertainties that could adversely or positively affect our future results include, but are not limited to, economic conditions in the markets in which we operate, new federal or state governmental regulation, our ability to effectively operate, integrate and leverage any past or future strategic acquisition, and other factors which can be found in our news releases and filings with the Securities and Exchange Commission.

These uncertainties may cause IHC’s actual future results to be materially different than those expressed in this presentation. IHC does not undertake to update its forward-looking statements.