

INDEPENDENCE HOLDING CO  
Form DEF 14A  
April 02, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Material Pursuant to §240.14a-12

**INDEPENDENCE HOLDING COMPANY**  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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## To Our Stockholders:

We are pleased with the 19% increase in the earnings of Independence Holding Company ( IHC or the Company ) in 2014 despite recording significant underwriting losses on major medical as a result of the Affordable Care Act (ACA), which will not reoccur in 2015, and significant amortization of deferred loss, which will be substantially less in 2015.

We are even more positive about our prospects for 2015 and beyond as a result of (1) the exceptional growth in medical stop-loss, our largest line of business, (2) the substantial growth in ancillary or supplemental health lines, the demand for which is growing as a result of the ACA, and (3) the continuing very positive results from a large, profitable block of group disability income in two specialized niches. We have diversified our products by building blocks of pet insurance and occupational accident business in Texas, and we continue to maintain our life and annuity insurance business. Moreover, any income derived from the business inuring to the benefit of our 92% owned subsidiary, American Independence Corp. ( AMIC ) or its subsidiaries, will be sheltered by AMIC 's \$264 million of net operating loss carry-forwards.

As a result of exiting individual and small group major-medical, beginning in 2015, our underwriting results will no longer be negatively impacted by these lines which have been very unprofitable under the ACA. Our stop-loss is experiencing significant growth as the market for this product expands, and sales of our ancillary health products (short-term medical, dental, vision, and gap plans) are accelerating as individuals (and, increasingly, groups) seek alternatives to the major-medical offerings on the public exchanges. The diversification strategy we ve pursued since the passage of the ACA in 2010 is bearing fruit and we are well positioned to take advantage of the changing distribution landscape, including through our direct-to-consumer tools, sales agencies, private exchange ([www.healthedeals.com](http://www.healthedeals.com)) and expanding call center channel. Our disability income will grow organically (and as a result of a larger risk retention), and we expect continued growth in our New York disability benefits law (DBL) line, which has the lowest rates in the industry.

## *SPECIALTY HEALTH*

### Stop-Loss

Our total stop-loss block, which is approximately \$280 million on a gross basis, makes us one of the top ten writers of this line of business in the nation. Approximately 86% of this business is produced through our direct writing platform over which we exert complete underwriting control. Of the remaining 14%, the vast majority of this is written through a managing general underwriter (MGU) in which we own 42% and the rest through one remaining independent MGU.

During 2014, we continued to solidify our position as a top-tier direct writer of stop-loss. Through a combination of strong new business sales and growth in new initiatives such as group captives, our direct written stop-loss achieved

growth of more than 35% for the year, and this momentum continued through the January 2015 business cycle.

Throughout this period of accelerating growth, IHC Risk Solutions (IHCRS) has not lost sight of its primary goal of achieving consistent profitability through disciplined underwriting and pricing. Following on excellent results on business written in 2011 and 2012, our direct written business is projected to produce a similar result on 2013 written business. In 2014, our pricing metrics indicate rate levels consistent with prior years and renewal increases at levels consistent with the positive selection bias in our renewal process.

We continued to strengthen our stop-loss operational capabilities by adding staff to support the growth in the business and restructuring key areas such as claims and contracts to improve customer service levels while creating efficiency gains in those functions. We have seen significant growth in our group captive business as a result of the ACA, and in our CIGNA business as a result of the strength of that relationship.

### **Fully Insured**

Our fully insured segment, excluding the major medical lines of business that we have now exited, accounted for approximately \$170 million in 2014. Of this amount, approximately \$95 million was made up of ancillary or supplemental products with the balance coming from pet, occupational accident and other lines.

Our fully insured segment made tremendous strides during 2014 towards accomplishing our long-term goal of converting from primarily a major medical company reliant largely on independent agents to a specialty health company with significant captive distribution. Our most notable accomplishments include: (1) increasing sales of products not impacted by health care reform by 34% over 2013, and generating a 8.6% underwriting profit on these products before agent incentive programs, (2) developing major national insurance companies (including the BUCAs ) as significant distributors of our short-term medical (STM) and ancillary products, including our MetalGap product, which supplements ObamaCare plans, (3) establishing HealtheDeals at Work as a private exchange for small employers, (4) expanding our owned call center to 35 seats, and (5) moving all new dental business to our enhanced enterprise platform and contracting to assist a very large payor system in the rollout of its new individual major medical products.

For 2015, we are particularly focused on expanding the distribution of all ancillary products through our owned distribution. We are delighted to have one of the very few private exchanges (HealtheDeals.com) that caters to individuals and small employers and is transactional. Other sites are lead producers, but you cannot purchase anything on their sites. On HealtheDeals.com, you can purchase a major medical plan from a major national carrier while easily purchasing IHC s ancillary products. Our call center, which we started in 2013 and doubled our capacity in 2014, was our largest agency during Open Enrollment. The non-subscriber occupational accident business associated with our affiliate has grown from \$6 million of in-force premium at the end of 2013 to approximately \$16 million at the end of 2014. The Company reported a retrospective reserve charge in the fourth quarter of 2014 resulting from large claims and underpricing on certain cases. The Company has taken action on pricing and, while still early in its development, we continue to expect to achieve our long term profit target on this business. We expect our pet insurance to grow modestly.

### **Group Disability and Life**

Our current total group disability and life gross premiums are approximately \$107 million. This business was highly profitable in 2014 and is primarily derived from two sources: (1) our thirty-year relationship with an MGA serving school districts and municipalities in the Midwest; and (2) DBL. The persistency on our existing group block is very high and we ve enjoyed considerable success in writing new business during the last two years. During 2013, we increased the size of our DBL block of business by 56% largely due to our success in capturing a significant portion of the block of a large competitor that exited the market.

### **Individual Life and Annuity Insurance**

We produced total gross individual life and annuity premiums of approximately \$26 million primarily derived from two sources: (1) closed blocks of life acquired by IHC and (2) individual policies selectively marketed to government workers, senior citizens and members of the military. We expect some growth in individual life sales, but the other lines of business should be relatively constant.

**CONCLUSION**

IHC has transitioned into a specialty health insurance company with growing blocks of stop-loss, ancillary health and disability. We emphasize controlled distribution that writes of higher-margin lines of business that are exempt from many of the requirements of the ACA. We are a leader in the markets in which we operate because we have:

.  
an experienced management team with long-term relationships in the industry;

.  
three innovative, well-capitalized insurance carriers with a stable rating of A- (Excellent) from A.M. Best Company;

.  
a significant, profitable stop-loss line written on a direct basis that grew 35% during 2014, and which we expect will continue growing rapidly in 2015; and

.  
a broad and balanced array of products and expertise that are increasingly in demand as a result of health care reform.

Accordingly, we are optimistic as to our operating results for 2015 and beyond; however, we would not be able to have this optimism without the extraordinary efforts of our dedicated team of employees, officers and directors, and without the continuing support of our stockholders.

Very truly yours,

Roy T.K. Thung

*Chief Executive Officer, President*

*and Chairman*

Dated: April 2, 2015

[www.ihcgroup.com](http://www.ihcgroup.com)

*Certain statements and information contained in this document may be considered forward-looking statements, such as statements relating to our 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 we operate, new federal or state governmental regulation, our ability effectively to operate, integrate and leverage any past or future strategic acquisition, and other factors that may be found in our filings with the Securities and Exchange Commission. We expressly disclaim any duty to update these forward-looking statements unless required by applicable law.*



**INDEPENDENCE HOLDING COMPANY**

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***NOTICE OF ANNUAL MEETING OF STOCKHOLDERS***

To Be Held on May 15, 2015

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Dear Stockholders:

We cordially invite you to attend the 2015 Annual Meeting of Stockholders of Independence Holding Company ( IHC or the Company ). Our 2015 Annual Meeting will be held on Friday, May 15, 2015 at 10:00 a.m. EDT and will be our second completely virtual meeting of stockholders. You will be able to attend the 2015 Annual Meeting, vote, and submit your questions during the meeting via live webcast by visiting [www.virtualshareholdermeeting.com/IHC2015](http://www.virtualshareholdermeeting.com/IHC2015). To enter the meeting, you must have your twelve-digit control number that is shown on your Notice of Internet Availability of Proxy Materials (the Notice ) or on your proxy card if you receive the proxy materials by mail. You will not be able to attend the Annual Meeting in person.

Details regarding logging onto and attending the meeting over the website and the business to be conducted are described in the Notice you received in the mail. We have also made available a copy of our 2014 Annual Report with this Proxy Statement. We encourage you to read our Annual Report. It includes our audited financial statements and provides information about our business and products.

The purpose of the meeting is to:

1. elect seven directors, each for a term of one year;
2. ratify the appointment of KPMG LLP as IHC s independent registered public accounting firm for the fiscal year ending December 31, 2015; and

3. transact any other business that may properly come before the meeting.

Only stockholders of record at the close of business on March 18, 2015 may vote at the meeting or any postponements or adjournments of the meeting.

By order of the Board of Directors,

Loan Nisser  
*Vice President and Secretary*

April 2, 2015

**HOW TO VOTE: Your vote is important. Whether or not you plan to attend the meeting, we hope you will vote as soon as possible. You may vote over the Internet, as well as by telephone or, if you requested to receive printed proxy materials, by mailing a proxy or voting instruction card. Please review the instructions on each of your voting options described in this Proxy Statement as well as in the Notice you received in the mail.**

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**Independence Holding Company**

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**(203) 358-8000**

**www.ihcgroup.com**

**2015 PROXY STATEMENT**

IHC's Board of Directors (the Board) is furnishing you this proxy statement in connection with the solicitation of proxies for use at the 2015 Annual Meeting of Stockholders to be held via live webcast on the Internet at [www.virtualshareholdermeeting.com/IHC2015](http://www.virtualshareholdermeeting.com/IHC2015) on Friday, May 15, 2015 at 10:00 a.m. EDT. At the meeting, stockholders will vote on the following proposals:

elect seven directors, each for a term of one year;

ratify the appointment of KPMG LLP as IHC's independent registered public accounting firm for the fiscal year ending December 31, 2015; and

transact any other business that may properly come before the meeting.

Stockholders also will consider any other matter that may properly come before the meeting, although we know of no other business to be presented.

By submitting your proxy (via the Internet, telephone or mail), you authorize Ms. Teresa A. Herbert, IHC's Chief Financial Officer and Senior Vice President, and Ms. Loan T. Nisser, IHC's VP and Secretary, to represent you and vote your shares at the meeting in accordance with your instructions. They also may vote your shares to adjourn the meeting and will be authorized to vote your shares at any postponements or adjournments of the meeting.

IHC's 2014 Annual Report, which includes IHC's audited financial statements, is being made available to IHC's stockholders concurrently herewith. Although the 2014 Annual Report is being made available concurrently with this proxy statement, it does not constitute a part of the proxy solicitation materials and is not incorporated by reference into this proxy statement.

We are first making this proxy statement and accompanying materials available to stockholders on or about April 2, 2015.

We will be hosting the 2015 Annual Meeting live via the Internet. A summary of the information you need to attend the meeting online is provided below:

Any stockholder can attend the 2015 Annual Meeting live via the Internet at [www.virtualshareholdermeeting.com/IHC2015](http://www.virtualshareholdermeeting.com/IHC2015);

Webcast starts at 10:00 a.m. EDT;

Stockholders may vote and submit questions while attending the 2015 Annual Meeting on the Internet; and

Stockholders need a twelve-digit control number to join the 2015 Annual Meeting.

***YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY VOTE YOUR SHARES OVER THE INTERNET, BY TELEPHONE OR BY MAIL.***

**INFORMATION ABOUT THE ANNUAL MEETING**

**What is the purpose of the 2015 Annual Meeting and why is it being held over the Internet?**

At the 2015 Annual Meeting, the stockholders will be asked to:

elect seven directors, each for a term of one year;

ratify the appointment of KPMG LLP as IHC's independent registered public accounting firm for the fiscal year ending December 31, 2015; and

transact any other business that may properly come before the meeting.

The 2015 Annual Meeting is being held on a virtual-only basis in order to reach the broadest number of stockholders possible and to save costs relative to holding a physical meeting. A number of prominent publicly traded Delaware companies have held virtual-only meetings.

**Who is entitled to vote?**

The record date for the meeting is March 18, 2015. Only stockholders of record at the close of business on that date are entitled to vote at the meeting. The only class of stock entitled to be voted at the meeting is IHC common stock. Each outstanding share of common stock is entitled to one vote for all matters before the meeting. At the close of business on the record date, there were 17,337,673 shares of IHC common stock outstanding.

A list of stockholders entitled to vote at the annual meeting will be available for examination on the Internet through the virtual web conference during the annual meeting.

**Why did I receive a notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?**

In accordance with rules adopted by the Securities and Exchange Commission (the "SEC"), we are permitted to furnish proxy materials, including this proxy statement and our 2014 Annual Report, to our stockholders by providing access to such documents on the Internet instead of mailing printed copies. If you received a Notice of Internet Availability



of Proxy Materials (the Notice ) by mail, you will not receive a printed copy of the proxy materials. Most stockholders will not receive printed copies of the proxy materials unless they request them. Instead, the Notice, which was mailed to our stockholders, will instruct you as to how you may access and review all of the proxy materials on the Internet. The Notice also instructs you as to how you may submit your proxy on the Internet. If you would like to receive a paper copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice. If you vote by Internet or telephone, please do not also mail your proxy card.

**How do I vote by proxy?**

You may vote by proxy using the Internet or telephone by following the instructions on your Notice. If you requested a printed set of materials, you may also vote by mail by signing, dating and returning the proxy card.

Please note that there are separate telephone and Internet arrangements depending on whether you are a registered stockholder (that is, if you hold your stock in your own name) or you hold your shares in street name (that is, in the name of a brokerage firm or bank that holds your securities account). In either case, you must follow the procedures described in your Notice.

**Am I entitled to vote if my shares are held in street name ?**

If your shares are held by a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares held in street name. If your shares are held in street name, the proxy materials are being made available to you by your bank, brokerage firm or other nominee (the record holder ), along with voting instructions. As the beneficial owner, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in

accordance with your instructions. If you do not give instructions to your record holder, it will nevertheless be entitled to vote your shares in its discretion on the ratification of the appointment of the independent registered public accounting firm (Proposal 2), but not on the election of directors (Proposal 1).

As the beneficial owner of shares, you are invited to attend the annual meeting. If you are a beneficial owner, however, you may not vote your shares in person at the meeting unless you obtain a legal proxy, executed in your favor, from the record holder of your shares.

**How many shares must be present to hold the online meeting?**

A quorum must be present at the meeting for any business to be conducted. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum. Proxies received but marked as abstentions or treated as broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

**What if a quorum is not present at the online meeting?**

If a quorum is not present or represented at the meeting, the holders of a majority of the shares entitled to vote at the meeting who are present in person or represented by proxy, or the chairman of the meeting, may adjourn the meeting until a quorum is present or represented. The time and place of the adjourned meeting will be announced at the time the adjournment is taken, and no other notice will be given.

**What do I need in order to be able to attend the online meeting?**

The Company will be hosting the 2015 Annual Meeting live online. You can attend the 2015 Annual Meeting live online at [www.virtualshareholdermeeting.com/IHC2015](http://www.virtualshareholdermeeting.com/IHC2015). The webcast will start at 10:00 a.m. EDT. You may vote and submit questions while attending the meeting online. You will need the twelve-digit control number included on your Notice or your proxy card (if you received a printed copy of the proxy materials) in order to be able to enter the meeting.

**How can I vote my shares during the online meeting?**

Shares held in your name as the stockholder of record may be voted by you, while the polls remain open, at [www.virtualshareholdermeeting.com/IHC2015](http://www.virtualshareholdermeeting.com/IHC2015) during the meeting. You will need your twelve-digit control number found in the Notice. Shares held beneficially in street name may be voted by you at the meeting only if you obtain a legal proxy from the broker, bank, trustee or nominee that holds your shares giving you the right to vote the shares.

Even if you plan to attend the online meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the online meeting.

**How can I vote my shares without attending the online meeting?**

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the online meeting. If you are a stockholder of record, you may vote by proxy.

You can vote by proxy over the Internet or telephone by following the instructions provided in the Notice, or, if you requested to receive printed proxy materials, you can also vote by mail pursuant to instructions provided on the proxy card. If you hold shares beneficially in street name, you may also vote by proxy over the Internet or telephone, or, if you requested to receive printed proxy materials, you can also vote by mail by following the voting instruction card provided to you by your broker, bank, trustee or nominee.

**Is there a deadline for submitting proxies electronically or by telephone or mail?**

Proxies submitted electronically or by telephone as described above must be received by 11:59 pm EDT on May 14, 2015. Proxies submitted by mail should be received before 10:00 am EDT on May 14, 2015.

**Can I revoke my proxy and change my vote?**

You may change your vote at any time prior to the taking of the vote at the online meeting. If you are the stockholder of record, you may change your vote by (1) granting a new proxy bearing a later date (which automatically revokes the earlier proxy) using any of the methods described above (and until the applicable deadline for each method), (2) providing a written notice of revocation to IHC's Secretary at Independence Holding Company, 485 Madison Avenue, 14<sup>th</sup> Floor, New York, New York 10022 prior to your shares being voted, or (3) attending the online meeting and voting. Attendance at the online meeting will not cause your previously granted proxy to be revoked unless you specifically so request. For shares you hold beneficially in street name, you may change your vote by submitting new voting instructions to your broker, bank, trustee or nominee following the instructions they provided, or, if you have obtained a legal proxy from your broker, bank, trustee or nominee giving you the right to vote your shares, by attending the online meeting and voting.

**Who can participate in the online meeting?**

Only stockholders eligible to vote or their authorized representatives in possession of a valid twelve-digit control number will be admitted as participants to the online meeting.

**Will my vote be kept confidential?**

Yes, your vote will be kept confidential and not disclosed to IHC unless:

required by law;

you expressly request disclosure on your proxy; or

there is a proxy contest.

**Who will count the votes?**

Broadridge Financial Solutions, an independent third party, will tabulate and certify the votes. A representative of Broadridge Financial Solutions will serve as the inspector of election.

**How does the Board of Directors recommend I vote on the proposals?**

The Board of Directors recommends that you vote:

FOR the election of the seven nominees to the Board; and

FOR the ratification of the appointment of KPMG as IHC's independent registered public accounting firm for the fiscal year ending December 31, 2015.

**What if I do not specify how my shares are to be voted?**

If you submit a proxy but do not indicate any voting instructions, your shares will be voted:

FOR the election of the seven nominees to the Board; and

FOR the ratification of the appointment of KPMG as IHC's independent registered public accounting firm for the fiscal year ending December 31, 2015.

**Will any other business be conducted at the meeting?**

IHC's by-laws require stockholders to give advance notice of any proposal intended to be presented at the meeting. The deadline for this notice has passed and we have not received any such notices. If any other matter properly comes before the stockholders for a vote at the online meeting, however, the proxy holders will vote your shares in accordance with their best judgment.

**How many votes are required to elect the director nominees?**

The affirmative vote of a plurality of the votes cast at the online meeting is required to elect the seven nominees as directors. This means that the seven nominees will be elected if they receive more affirmative votes than any other person. The proxy card enables you to vote FOR all nominees proposed by the Board, to WITHHOLD authority for all nominees or to vote FOR ALL EXCEPT one or more of the nominees being proposed. Voting for all nominees except those you list on the proxy card is the equivalent of withholding your vote for those directors you have listed. If you vote Withheld with respect to one or more nominees, your shares will not be voted with respect to the person or persons indicated.

**What happens if a nominee is unable to stand for election?**

If a nominee is unable to stand for election, the Board may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority.

**How many votes are required to ratify the appointment of IHC's independent registered public accounting firm for the fiscal year ending December 31, 2015?**

The ratification of the appointment of KPMG as IHC's independent registered public accounting firm for the fiscal year ending December 31, 2015 requires the affirmative vote of a majority of the shares present at the online meeting or by proxy and entitled to vote. The proxy card enables you to vote FOR or AGAINST the proposal or ABSTAIN from voting on the proposal. Abstentions will have the same practical effect as votes against the proposal.

**How will abstentions be treated?**

Abstentions will be treated as shares present for quorum purposes and entitled to vote, and will have the same practical effect as votes against a proposal.

**How will broker non-votes be treated?**

Broker non-votes will be treated as shares present for quorum purposes. Your broker will be entitled to vote your shares in its discretion on the ratification of the appointment of the independent registered public accounting firm for

the fiscal year ending December 31, 2015 (Proposal 2) without your voting instructions, but not on the election of directors (Proposal 1).



**STOCK OWNERSHIP****Directors and Executive Officers**

The following table sets forth certain information concerning the number of shares of our common stock beneficially owned based on 17,337,673 issued and outstanding shares of common stock as of March 18, 2015 (the Record Date) by: (i) each of our directors, and (ii) each of our named executive officers.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. Other than as described in the notes to the table, we believe that all persons named in the table have sole voting and investment power with respect to shares beneficially owned by them. All share ownership figures include shares issuable upon exercise of options or warrants exercisable within 60 days of the Record Date, which are deemed outstanding and beneficially owned by such person for purposes of computing his or her percentage ownership, but not for purposes of computing the percentage ownership of any other person.

The address of each individual named below is c/o IHC at 96 Cummings Point Road, Stamford, Connecticut 06902.

<u>Name of Beneficial Owner</u>	<u>Number of Shares</u>	<u>Percent of Class</u>
Mr. Larry R. Graber	100,285(1)	*
Ms. Teresa A. Herbert	131,987(2)	*
Mr. Michael Kemp	13,515	*
Mr. David T. Kettig	158,435(3)	*
Mr. Allan C. Kirkman	19,701	*
Mr. John L. Lahey	15,675	*
Mr. Steven B. Lapin	122,162(4)	*
Mr. James G. Tatum	31,701	*
Mr. Roy T. K. Thung	545,750(5)	3.1%
All directors, nominees for director and executive officers as a group (9 persons)	1,139,211	6.4%

\*

Represents less than 1% of the outstanding common stock.

(1)

Includes 55,000 shares of common stock underlying stock options exercisable within sixty (60) days from the date hereof.

(2)

Includes 74,800 shares of common stock underlying stock options exercisable within sixty (60) days from the date hereof.

(3)

Includes 77,800 shares of common stock underlying stock options exercisable within sixty (60) days from the date hereof.

(4)

Excludes the 9,145,226 shares of common stock held by Geneve Holdings, Inc., of which the named individual is an officer.

(5)

Includes 258,500 shares of common stock underlying stock options exercisable within sixty (60) days from the date hereof. Excludes the 9,145,226 shares of common stock held by Geneve Holdings, Inc., of which the named individual is an officer.

### **Significant Stockholders**

The following table sets forth certain information concerning the number of shares of our common stock beneficially owned based on 17,337,673 issued and outstanding shares of common stock as of the Record Date by certain persons known by IHC to own beneficially more than five percent of the outstanding shares of IHC common stock.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. Other than as described in the notes to the table, we believe that all persons named in the table have sole voting and investment power with respect to shares beneficially owned by them. All share ownership figures include shares issuable upon exercise of options or warrants exercisable within 60 days of the Record Date, which are deemed outstanding and beneficially owned by such person for purposes of computing its percentage ownership, but not for purposes of computing the percentage ownership of any other person.

<u>Name</u>	<u>Number of Shares</u>	<u>Percent of Class</u>
Geneve Holdings, Inc. (1)	9,145,226	52.75%
Dimensional Fund Advisors LP. (2)	962,504	5.55%

(1)

According to (i) information disclosed in Amendment No. 35 to Schedule 13D dated May 9, 2001 of Geneve Holdings, Inc. ( GHI ), a private diversified financial holding company, supplemented by (ii) information provided to IHC by GHI in response to a questionnaire. GHI is a member of a group consisting of itself and certain of its affiliates that together hold the shares of common stock of IHC. The address of GHI is 96 Cummings Point Road, Stamford, Connecticut 06902.

(2)

According to information disclosed in Amendment No. 3 to Schedule 13G, reporting as of December 31, 2014 (the Schedule 13G ), Dimensional Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisors Act of 1940, furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts (such investment companies, trusts and accounts, collectively referred to as the Funds ). In certain cases, subsidiaries of Dimensional Fund Advisors LP may act as an adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager, Dimensional Fund Advisors LP or its subsidiaries (collectively, Dimensional ) possess voting and/or investment power over the securities of IHC that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of IHC held by the Funds. However, all shares of IHC s common stock reported in the Schedule 13G are owned by the Funds. Dimensional disclaims beneficial ownership of such securities. In addition, its filing of the Schedule 13G shall not be construed as an admission that it or any of its affiliates is the beneficial owner of any securities covered by the Schedule 13G for any other purposes than Section 13(d) of the Securities Exchange Act of 1934, as amended. The address of Dimensional Fund Advisors LP is Palisades West, Building 1, 6300 Bee Cave Road, Austin, Texas 78746

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires directors and certain officers of IHC and persons who own more than ten percent (10%) of IHC common stock to file with the U.S. Securities and Exchange Commission ( SEC ) initial reports of beneficial ownership (Form 3) and reports of subsequent changes in their beneficial ownership (Form 4 or Form 5) of IHC s common stock. Such directors, officers and greater-than-ten-percent stockholders are required to furnish IHC with copies of the Section 16(a) reports they file. The SEC has established specific due dates for these reports, and IHC is required to disclose in this proxy statement any late filings or failures to file.

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Based solely upon a review of the copies of the Section 16(a) reports (and any amendments thereto) furnished to IHC and written representations from certain reporting persons that no additional reports were required, IHC believes that its directors, reporting officers and greater-than-ten-percent stockholders complied with all these filing requirements for the fiscal year ended December 31, 2014.

## CORPORATE GOVERNANCE MATTERS

### Corporate Governance Documents

In furtherance of its longstanding goals of providing effective governance of IHC's business and affairs for the long-term benefit of stockholders and promoting a culture and reputation of the highest ethics, integrity and reliability, the Board has adopted:

.  
a Code of Business Ethics that applies to IHC's Chief Executive Officer and President, Chief Operating Officer, Chief Financial Officer, controller and other IHC employees performing similar functions (the Code of Ethics );

.  
a Corporate Code of Conduct that applies to all employees, officers and directors of IHC and its subsidiaries and affiliates (the Code of Conduct );

.  
Corporate Governance Guidelines ( Guidelines ) to advance the functioning of the Board and its committees and set forth the Board's expectations as to how it should perform its functions; and

.  
written charters for its Audit and Compensation Committees of the Board (the Charters ).

The Code of Ethics, Code of Conduct, the Guidelines and the Charters can be found on IHC's website at [www.ihcgroup.com](http://www.ihcgroup.com), and are also available in print to any stockholder who requests them. The information on IHC's website, however, is not incorporated by reference in, and does not form part of, this proxy statement. The Board does not anticipate modifying the Code of Ethics or the Code of Conduct, or granting any waivers to either, but were any such waiver or modification to occur, it would promptly be disclosed on IHC's website.

## Director Independence

As a company listed on the New York Stock Exchange ( NYSE ), IHC uses the definition of independence prescribed in the NYSE Listed Company Manual (the Manual ). Each of Messrs. Kirkman, Tatum and Lahey met such independence requirements. The Board has affirmatively determined that none of them had any material relationship with IHC at all applicable times during 2014.

IHC qualifies as a controlled company, as defined in Section 303A.00 of the Manual, because more than 50% of IHC s voting power is held by Geneve Holdings, Inc. ( GHI ). Therefore, IHC is not subject to certain NYSE requirements that would otherwise require IHC to have: (i) a majority of independent directors on the Board (Manual Section 303A.01); (ii) compensation of IHC s executive officers determined by a compensation committee composed solely of independent directors (Manual Section 303A.04); or (iii) director nominees selected, or recommended for the Board s selection, by a nominating committee composed solely of independent directors (Manual Section 303A.05).

Of IHC s directors, none of Messrs. Graber, Kettig, Lapin or Thung is independent under the NYSE s standards.

For each independent director, after reasonable investigations and in reliance on representations by such independent director to IHC, IHC believes there is no transaction, relationship or arrangement between each such director not disclosed in this proxy statement under the caption Certain Relationships and Related Transactions.

## Board Leadership Structure

The Board understands that there is no single, generally accepted approach to providing Board leadership and that given the dynamic and competitive environment in which we operate, the right Board leadership structure may vary as circumstances warrant. To this end, the Board has no policy mandating the combination or separation of the roles of Chairman and CEO and believes the matter should be discussed and considered from time to time as circumstances change. Currently, Mr. Roy T.K. Thung is both our CEO and Chairman.

## **Board Role in Risk Oversight**

The Board administers its risk oversight function directly and through its Audit Committee. The Board and the Audit Committee regularly discuss with management, and the Company's independent auditors and internal auditor, our major risk exposures, their potential financial impact on the Company, and the steps we take to manage these risks.

In general, management is responsible for the day-to-day management of the risks the Company faces, while the Board, acting as a whole and through the Audit Committee, has responsibility for the oversight of risk management. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. Senior management attends the regular quarterly meetings of the Board and is available to address questions and concerns raised by the Board on risk management-related and other matters.

The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to risk management in the areas of financial reporting, internal controls and compliance with legal and regulatory requirements. In addition, the Audit Committee discusses policies with respect to risk assessment and risk management with management, internal audit and the independent auditors.

The Audit Committee assists the Board with oversight of risk management by reviewing the Company's financial statements and meeting with the Company's independent auditors and internal auditor at regularly scheduled meetings of the Audit Committee, to review their reports on the adequacy and effectiveness of our internal audit and internal control systems, and discusses with management the Company's major financial risks and exposures and the steps management has taken to monitor and control such risks and exposures.

## **Audit Committee Financial Expert**

The Board has determined that at least one member of the Audit Committee, Mr. Tatum, is an audit committee financial expert as such term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated by the SEC.

## **Executive Sessions of Non-Management Directors**

Non-management Board members meet without management present at least twice annually, at regularly scheduled executive sessions. At least once a year, such meetings include only the independent members of the Board. Mr. Kirkman presides over meetings of the non-employee and independent directors.

### **Communications with Directors**

You may communicate directly with any member or committee of the Board by writing to: IHC Board of Directors, c/o Corporate Secretary, 485 Madison Avenue, 14<sup>th</sup> Floor, New York, New York 10022. Please specify to whom your letter should be directed. The Corporate Secretary of IHC will review all such correspondence and regularly forward to the Board a summary of all such correspondence and copies of all correspondence that, in her opinion, deals with the functions of the Board or its committees or that she otherwise determines requires the attention of any member, group or committee of the Board. Board members may, at any time, review a log of all correspondence received by IHC that is addressed to Board members and request copies of any such correspondence.

Interested parties who wish to communicate with non-management IHC directors, or with the presiding director of the Board's executive sessions, may do so by writing to IHC Board of Directors, c/o Corporate Secretary, Attn: Non-management Directors or the Presiding Director for executive sessions, as applicable, 485 Madison Avenue, 14<sup>th</sup> Floor, New York, New York 10022. All such mail received will first be opened and screened for security purposes.

### **Nomination of Director Candidates**

In light of GHI's majority voting power, the Board has determined that the Board, rather than a nominating committee, is the most appropriate body to identify director candidates and select nominees for presentation at the annual meeting of stockholders. In making nominations, the Board seeks candidates with outstanding business experience who will bring such experience to the management and direction of IHC. The minimum criteria employed by the Board in its selection of candidates is set forth in the Guidelines, along with certain other factors that inform the selection process. All directors



serving on the Board participate in the consideration of director nominees. Furthermore, in light of GHI's voting power, the Board has determined that no policy with respect to consideration of candidates recommended by security holders other than GHI's would be appropriate.

The Board does not have a formal policy with respect to diversity. However, the Board seeks to have a Board that reflects an appropriate balance of knowledge, experience, skills, expertise and diversity, as applicable to our industry. The Board assesses its achievement of diversity through the review of Board composition as part of the Board's annual self-assessment process.