International Coal Group, Inc.
Form SC 13G/A
February 12, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

SCHEDULE 13G
Under the Securities Exchange Act of 1934
(Amendment No. 3)*

International Coal Group, Inc.
(Name of Issuer)

Common Stock
(Title of Class of Securities)

45928H106
(CUSIP Number)

December 31, 2009
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

o Rule 13d-1(b)
x Rule 13d-1(c)
o Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1	NAME OF REPORTING PERSON: Dane Andreeff	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*	(a) o (b) x
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Canada	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	5	SOLE VOTING POWER 0
	6	SHARED VOTING POWER 5,424,533
	7	SOLE DISPOSITIVE POWER 0
	8	SHARED DISPOSITIVE POWER 5,424,533

9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 5,424,533	
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*	o
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 3.5%	

12	TYPE OF REPORTING PERSON* IN, HC

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1	NAME OF REPORTING PERSON: Andreeff Equity Advisors, L.L.C.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*	(a) o (b) x
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	5	SOLE VOTING POWER 0
	6	SHARED VOTING POWER 5,424,533
	7	SOLE DISPOSITIVE POWER 0
	8	SHARED DISPOSITIVE POWER 5,424,533

9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 5,424,533	
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*	o
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 3.5%	

12	TYPE OF REPORTING PERSON* IA, OO

CUSIP No. 45928H106	13G	Page 4 of 13 Pages

1	NAME OF REPORTING PERSON: Maple Leaf Capital I, L.L.C.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*	(a) o (b) x
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	5	SOLE VOTING POWER 0
	6	SHARED VOTING POWER 3,480,003
	7	SOLE DISPOSITIVE POWER 0
	8	SHARED DISPOSITIVE POWER 3,480,003

9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 3,480,003	
10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*	o
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 2.3%	

12	TYPE OF REPORTING PERSON* CO, HC

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1 NAME OF REPORTING PERSON:
Maple Leaf Partners, L.P.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*
(a) o

(b)

Our loss reserves are based on an estimate of our future liability, and if actual claims prove to be reserves, our results of operations and financial condition may be adversely affected.

We maintain loss reserves to cover our estimated liability for unpaid losses and loss adjustment expens including legal and other fees, and costs not associated with specific claims but related to the claims pay reported and unreported claims incurred as of the end of each accounting period. Because setting res uncertain, we cannot be sure that current reserves will prove adequate. If our reserves are insufficient losses and loss adjustment expenses, we would have to augment our reserves and incur a charge to our charges could be material. Reserves do not represent an exact calculation of liability. Rather, reserves re of what we expect the ultimate settlement and administration of claims will cost. These estimates, whic actuarial projections, are based on our assessment of known facts and circumstances. Many factors reserves, including economic and social conditions, frequency and severity of claims, medical trends influences of underlying cost inflation, changes in utilization and demand for medical services, and char legal liability and damage awards in litigation. Many of these items are not directly quantifiable in adv there may be a significant reporting lag between the occurrence of the insured event and the time it is r inherent uncertainties of estimating reserves are greater for certain types of liabilities, particularly those i considerations affecting the type of claim are subject to change and in which long periods of time m definitive determination of liability is made. Reserve estimates are continually refined in a regular and experience develops and further claims are reported and settled and are reflected in the results of the pe estimates are changed.

Our inability to assess underwriting risk accurately could reduce our net income.

Our success is dependent on our ability to assess accurately the risks associated with the businesses on w
If we fail to assess accurately the risks we retain, we may fail to establish the appropriate premium rat
may be inadequate to cover our losses, requiring augmentation of the reserves, which in turn would reduc

Our agreements with our producers that underwrite on our behalf require that each such producer fo
guidelines published by us and amended from time to time. Failure to follow these guidelines may resu
modification of the agreement. We perform periodic audits to confirm adherence to the guidelines, but it
would not detect a breach in the guidelines for some time after the infraction, which could result in a ma
Net Loss Ratio (defined as insurance benefits, claims and reserves divided by the difference between pr
underwriting expenses) for that producer and could have an adverse impact on our operating results.

Retentions in various lines of business expose us to potential losses.

We retain most of the risk for our own account on some business underwritten by our insuranc
determination to not purchase reinsurance, or to reduce the amount of reinsurance we purchase, for a part
business is based on a variety of factors including market conditions, pricing, availability of reinsuran
capital and our loss history. Such determinations have the effect of increasing our financial exposure t
with such risks or in such lines of business and, in the event of significant losses associated with su
business, could have a material adverse effect on our financial position, results of operations and cash flow

**As a holding company, we depend on the ability of our subsidiaries to transfer funds to us to meet o
pay dividends.**

We are a holding company for our insurance companies and other subsidiaries with no significant operati
principal sources of cash to meet our obligations and to pay dividends consist of dividends from our
insurance regulatory authorities limit the amount of dividends that insurance companies can pay without r
Additionally, competitive pressures or other regulatory requirements may require our insurance comp
maintain certain levels of capital that could affect their ability to make dividend payments. Such limits co
our liquidity, including our ability to pay dividends to stockholders.

**If rating agencies downgrade our insurance companies, our results of operations and competiti
industry may suffer.**

Ratings have become an increasingly important factor in establishing the competitive position of insura
are important to maintaining public confidence in our company and our products, and our ability to m
Standard Security Life, Madison National Life and Independence American are all rated A- (Ex
Company, Inc. A.M. Best's ratings reflect its opinions of an insurance company's financial strength, ope

strategic position, and ability to meet its obligations to policyholders and are not evaluations directed
ratings of our carriers are subject to periodic review by A.M. Best, and we cannot assure the continued
current ratings. Because these ratings have become an increasingly important factor in establishing the c
of insurance companies, a downgrade in our financial strength ratings, or the announced potential for a
have an adverse effect on our financial condition, results of operations and cash flows in several w
materially increasing the number or amount of policy surrenders and withdrawals by contract holders an
policyholders might move to other companies with higher claims-paying and financial strength ratings
sales of insurance products; (iii) increasing our cost of capital; (iv)

adversely affecting our relationships with distribution partners; (v) requiring us to reduce prices or increas
many of our products and services to remain competitive; and (vi) adversely affecting our ability to ob
obtain reasonable pricing on reinsurance.

Changes in accounting and reporting standards issued by the Financial Accounting Standard standard-setting bodies and insurance regulators could materially adversely affect our financial co of operations.

Our financial statements are subject to the application of U.S. GAAP, which is periodically revised Accordingly, from time to time, we are required to adopt new or revised accounting standards iss authoritative bodies, including the Financial Accounting Standards Board. It is possible that future accou standards we are required to adopt could change the current accounting treatment that we apply to our f and that such changes could have a material adverse effect on our financial condition and results of ope the required adoption of future accounting and reporting standards may result in significant costs to imple current proposals may change the accounting for insurance contracts and financial instruments and could volatility of net income as well as other comprehensive income. In addition, these proposals could significant changes to systems and use additional resources, resulting in significant incremental cost proposals.

The new Trump Administration may make substantial changes to fiscal and tax policies that may a business.

The Trump Administration has called for substantial change to fiscal and tax policies, which may include reform. We cannot predict the impact, if any, of these changes to our business. However, it is possible could adversely affect our business. It is likely that some policies adopted by the new administration others will negatively affect us. Until we know what changes are enacted, we will not know whether in to or are negatively affected by, the changes.

Increases in insurance claim costs will negatively impact the revenues and profitability of our insura

The major component of insurance cost represents the cost of claims, which are not within our control limit our exposure on any single insured, significant unfavorable claims experience will reduce profitability. Increases in insurance claim costs will negatively impact the revenues and profitabilit business.

Legal and regulatory investigations and actions are increasingly common in the insurance business financial losses and harm our reputation.

We face a risk of litigation and regulatory investigations and actions in the ordinary course of opera
including the risk of class actions, regulatory actions and individual lawsuits relating, among other
underwriting practices, payment of contingent or other sales commissions, claims payments and procedu
disclosure, administration, additional premium charges for premiums paid on a periodic basis, interest
denial or delay of benefits and breaches of fiduciary or other duties to customers. Adverse judgments in
lawsuits could require us to pay significant damage amounts or to change aspects of our operations. Plai
and other lawsuits against us may seek very large or indeterminate amounts, including punitive and treb
may remain unknown for substantial periods of time. Further, industry trends, such as increased lit
insurance industry and individual insurers, the willingness of courts to expand covered causes of loss and
rising jury awards, escalating medical costs, and increasing loss severity may render the loss reserve
subsidiaries inadequate for current and future losses. The unpredictability of court decisions in

the insurance business could have a material adverse effect on our financial position, results of operation
addition, the political divisiveness leading, in some cases, to the stalling of the legislative process, r
activism and result in rulings concerning our products, the way we sell our products, and the profitabili
which may result in the states being divided in their approach to insurance.

We are also subject to various regulatory inquiries, such as information requests, subpoenas, market c
books and record examinations, from state and federal regulators and other authorities, which m
recommendations for corrective action or other regulatory actions. Increased regulatory scrutiny
investigations or proceedings could result in new legal actions or precedents and industry-wide regulatio
could adversely affect our business. Even if we ultimately prevail in the litigation, regulatory action o
could suffer significant reputational harm, which could have an adverse effect on our business.

**Our reliance upon third party administrators and other outsourcing arrangements may disrupt o
our operations.**

We depend, and may in the future increase our dependence, on third parties for significant portions
including claims processing, premium billing, claims management, claims payment and voice communic
other systems-related support. This dependence makes our operations vulnerable to the third parties'
adequately under the contract due to internal or external factors. In the future, this dependence may i
outsource additional areas of our business operations to additional vendors. There can be no assurance tha
transition of business process functions from the Company to a vendor or between vendors will be s
projects could result in significant operational challenges that cause financial difficulties. In addition, i
with our outsourcing partners are significantly disrupted or terminated for any reason or if the finan
outsourcing partners changes materially, we may not be able to find an alternative partner in a tim
acceptable financial terms. As a result, we may not be able to meet the demands of our customers and, in
cash flows, financial condition and results of operations may be harmed.

Our dependence on third parties makes our operations vulnerable to such parties failure to perform
information from these entities could cause us to incur additional expense to utilize additional resources to
and correct the information. We have not been able to independently test and verify some of these third
data. Any failure to recommend payment on claims fairly could lead to material litigation, undermine o
marketplace, impair our image and adversely affect our financial results. There can be no assuranc
party data will not disrupt or adversely affect our results of operations. A change in service providers, or
from a third party to internal operations, could result in significant operational challenges, a decline in
effectiveness, increased cost or less favorable contract terms, which could adversely affect our operating r
outsourced services are being performed offshore. Prevailing economic conditions and other circumstance
offshore vendors' ability to adequately perform as agreed, which could have a material adverse effec
operations and financial condition

**Our financial condition and results of operations could be materially adversely affected if
administrators, managing general agents, general agents or other producers exceed their auth
breach obligations owed to us or commit fraud.**

In connection with certain lines of business and insurance programs, we authorize third party admini
general agents, general agents and other producers to write business and/or settle claims on our behalf w

and claims settlement authorities prescribed by us. We have less control and supervision over these unde
staff than our own employees and rely on the controls of our agents to write business within the underwri
settle claims within guidelines provided by us. Although we monitor our business on an ongoing basis, ou

efforts may not be adequate and our agents may exceed their underwriting authorities or otherwise breac
owed to us. To the extent that our agents exceed their authorities, otherwise breach their obligations ow
fraud, this may result in a material adverse effect upon our financial condition and results of operations.

We utilize reinsurance arrangements to help manage our business risks, and failure to perform by t to our reinsurance arrangements may expose us to risks we had sought to mitigate.

We utilize reinsurance to mitigate our risks in various circumstances. Through reinsurance, we have the
collect the amount reinsured from our reinsurers. Although reinsurance makes the reinsurer liable to us to
is transferred or ceded to the reinsurer, reinsurance does not relieve us of our direct liability to o
Accordingly, we bear credit risk with respect to our reinsurers. We cannot assure that our reinsurers
reinsurance claims, or that they will pay our claims on a timely basis. Additionally, catastrophic losses f
insurers may accumulate within the more concentrated reinsurance market and result in claims that ad
financial condition of such reinsurers and thus their ability to pay such claims. Further, additional adver
the capital markets could affect our reinsurers ability to meet their obligations to us. If we become lial
ceded to reinsurers or if our reinsurers cease to meet their obligations to us because they are insolven
financial position as a result of incurred losses or otherwise, our financial position, results of operations ar
be materially adversely affected.

Our reliance on brokers, program administrators and third-party claims adjusters subjects us to ris

We transact business through intermediaries, frequently paying insured claims th
program administrators or third-party claims adjustment services, and these parties, in turn, pay these am
that have purchased insurance from us.. If such an intermediary were to fail to pass such a payment thro
or policyholder, we may remain liable for the deficiency because of applicable local laws or contra
Likewise, when a customer pays its policy premium to a broker or program administrator for further re
premium is generally considered to have been paid and the client is no longer liable for such amount
actually receive the premium. Consequently, we assume a degree of credit risk associated with the inte
with respect to our insurance and reinsurance business.

The success of our business strategy depends on the continuing service of key executives, the mem management team and other highly-skilled personnel.

We rely on the continued service of key executives, members of our senior management team and highl
throughout all levels of our business. Our business could be harmed if we are unable to retain or motiva
hire qualified personnel. We believe that our future success depends in substantial part on our abil
motivate, develop, and retain talented and highly-skilled personnel who are knowledgeable about our busi
be difficult due to many factors, including fluctuations in economic and industry conditions and the e
compensation programs and competition. If we do not succeed in retaining and motivating our existing ke

attracting new key personnel, our revenue growth and profitability may be materially adversely affected.

We may be unsuccessful in competing against larger or better-established business rivals.

We compete with a large number of other companies in our selected lines of business. We face competi
insurance companies, and from diversified financial services companies and insurance companies that ar
we are and that have far greater financial, marketing and

other resources. Some of these competitors also have greater experience and more market recognition th
lines of business. In addition to competition in the operation of our business, we face competition from a v
attracting and retaining qualified employees. There can be no assurance that we will maintain our c
position in the markets in which we operate, or that we will be able to expand operations into new mark
so, our results of operations and cash flows could be materially adversely affected.

Also, insurance companies may seek to consolidate through mergers and acquisitions. Continued conso
insurance industry will further enhance the already competitive underwriting environment as we woul
more robust competition from larger competitors. These consolidated entities may use their enhanced
broader capital base to take business from us or to drive down pricing, which could adversely affec
operations.

We may be unsuccessful in our continued efforts to execute on our strategies to diversify sources of i

We have devoted significant effort and financial resources to build new products, distribution and ser
diversify our product portfolio. We aim to continue implementing our strategies while maintaining c
strength in our existing businesses, as well as maintaining the strength of our balance sheet. Our succes
number of factors, including our ability to achieve customer name recognition, accurately predict market
our product offerings from our competitors products, provide excellent customer service, attract and reta
maintain comprehensive focus on all company priorities, develop new products in a timely manner a
acceptance, effectively implement new technology and operational platforms, deepen our existing distrib
and add new distribution partners, and set appropriate prices for our products. We may incur higher-tha
fail to generate expected levels of revenue and profitability associated with this strategy. Further, if we fa
or a combination of these strategies, our ability to profitably grow our business could be materially and ad

The failure to maintain effective and efficient information systems and to safeguard the security
adversely affect our business.

Our business is highly dependent upon the successful and uninterrupted functioning of our computer sys
different information systems for our various businesses. We rely on these systems to perform actuarial a
functions necessary for writing business, to provide insurance quotes, to process our premiums and pol
our products, to process and make claims payments, to establish our loss reserves, and to prepare ou
external financial statements and information. The failure of these systems could interrupt our opera
experience adverse consequences, including: (i) inadequate information on which to base pricing,
reserving decisions; (ii) inadequate information for accurate financial reporting; (iii) increases in admir
(iv) the loss of existing customers or key distributors; (v) difficulty in attracting new customers or d
inability to comply with regulations or customer or vendor expectations, such as failure to meet prompt pa
(vii) customer, provider and agent disputes; and (viii) litigation or regulatory enforcement exposure. W
and will continue to commit significant resources to develop, maintain and enhance our existing inf
transition existing systems to upgraded systems, and develop new information systems in order to keep pa
changes in information processing technology, evolving industry and regulatory standards, and c

preferences.

Moreover, our computer systems have been, and will continue to be, subject to computer viruses or oth
unauthorized access, cyber-attacks, hackers or other computer-related penetrations. To date, we are not
breach of cybersecurity. We commit significant resources to administrative and technical controls to prev
and protect our information technology, but our preventative actions to reduce the risk of cyber threats ma
prevent

physical and electronic break-ins, denial of service and other cyber-attacks or security breaches. Su
compromise our confidential information as well as that of our clients and third parties, with whom we
interrupt business operations and may result in other negative consequences, including remediation cos
disruption of our operations, additional regulatory scrutiny, sanctions (such as penalties, fines and l
litigation, and reputational damage.

Our database and systems are also vulnerable to damage or interruption from system outages, disasters s
fires, floods, acts of terrorism, blackouts, power loss, telecommunications failures, and similar ev
compromise our ability to conduct business. In the event of such failures, we may be unable to perform cr
timely manner, and our systems may not be available to our employees, customers or business partne
period of time. Any such interruptions may reduce our revenues or increase our expenses, and may al
impact upon our reputation, distribution partnerships, or our customer or vendor relationships. [Such an o
impair our ability to timely and accurately complete our financial reporting and other regulatory obligatio
the effectiveness of our internal control over financial reporting.] We also utilize and/or rely on computer
and maintained by outsourcing relationships and key vendors. Their systems could experience the same
result in a material adverse effect on our business results.

Our failure to maintain effective and efficient information systems and protect the security of such sy
material adverse effect on our financial condition and results of operations.

Additionally, past or future misconduct by our employees or employees of our vendors or suppliers could
of laws by us, regulatory sanctions against us and/or serious reputational, legal or financial harm to ou
precautions we employ to prevent and detect this activity may not be effective in all cases. Although we e
procedures designed to monitor the business decisions and activities of these individuals to prevent u
inappropriate activities, excessive risk taking, fraud or security breaches, these individuals may take such
such controls and procedures and such controls and procedures may fail to detect all such decisions
compensation policies and procedures are reviewed by us as part of our overall risk management progra
that such compensation policies and practices could inadvertently incentivize excessive or inappropriate
individuals take excessive or inappropriate risks, those risks could harm our reputation and have a materi
our business, results of operations and financial condition.

Failure to protect our policyholders' confidential information and privacy could adversely affect ou

In the conduct of our business, we are subject to privacy regulations and to confidentiality obligations
collection and use of patient data in our health insurance operations is the subject of national and state le
the Health Insurance Portability and Accountability Act of 1996, or HIPAA, and certain other activit
subject to the privacy regulations of the Gramm-Leach-Bliley Act. We also have contractual obligation
confidential information we obtain from our existing vendors, partners and policyholders. These ob
include protecting such confidential information in the same manner and to the same extent as w
confidential information. If we do not properly comply with privacy regulations and protect confidenti
could experience adverse consequences, including regulatory sanctions, such as penalties, fines and loss o

loss of reputation and possible litigation.

Our business depends on the uninterrupted operation of our information technology systems.

We rely on various information technology systems and computer and telecommunications equipment i
of business. The maintenance and security of our information systems are important to our operatio
effectively run our business depends on the reliability and

capacity of our information technology systems, including technology services and systems for which we
parties. Advances in technology may render our current information technology systems obsolete and req
maintenance over time, which may require significant future commitments of resources and capital. If we
systems, we may suffer interruptions in service, loss of data or reduced functionality. Despite any precau
such problems could result in, among other consequences, interruptions in our services, which could harm
financial results. If there is a material failure in our information technology systems, our business ope
could be negatively affected, and our systems may be inadequate to support our future growth strategies.

We may be unable to renew our existing licenses when they expire and may not be able to obtai favorable terms.

We may be unable to renew expiring licenses on terms favorable to us or at all, and we may have difficu
licenses needed for our business on terms acceptable to us, if at all. In addition, these licensors could deci
competitors. Failure to maintain or renew our existing licenses or to obtain additional licenses necessa
could harm our operating results and financial condition.

We have risks from exiting the individual life and annuities business.

We exited the individual life and annuities business in July 2015 when our subsidiaries, Madison Nationa
Security Life, closed on an agreement to coinsure substantially all of their run-off blocks of individual lif
sold Madison National Life's infrastructure related to those blocks, to National Guardian Life Insurance
Key risks associated with exiting the business include:

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our ability to identify and implement key customer, technology systems, and other transition actions to
negative effects on retained businesses;

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our ability to assess and manage any loss of synergies that the exited business had with our retained busine

.

our ability to manage capital, liquidity, and other challenges that may arise in the event of an exit that re
cash expenditures or a financial loss.

Further, if NGL defaults on its reinsurance commitments and/or its administration commitments, then the
back to us. Since we have sold our infrastructure, we would not have the ability to administer the busi

longer have the IT systems or staff to support the business. We may have to incur expenses to rebuild o
for regulatory and other legal actions, which could have an adverse effect on our financial condition, re
and cash flows.

Risks related to our Industry

Our industry is highly regulated and we are subject to extensive governmental regulation, which ma our ability to achieve our business objectives. Also, changes in regulations may affect our business profitability and limit our growth. Moreover, if we fail to comply with these regulations, we r penalties, including fines and suspensions, which may adversely affect our financial conditi operations.

Our insurance subsidiaries are subject to state insurance laws and regulated by the insurance departments o in which they are domiciled and licensed, which, among other things, conduct periodic examination of ins State laws grant insurance regulatory authorities broad administrative powers with respect to vari insurance businesses, including:

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licensing companies and agents to transact business and regulating their respective conduct in the market;

.

restricting agreements with large revenue-producing agents;

.

approving policy forms and premium rates;

.

cancelling and non-renewal of policies;

.

requiring certain methods of accounting and prescribing the form and content of records of financial cond
filed;

.

calculating the value of assets to determine compliance with statutory requirements;

.

establishing statutory capital and reserve requirements, such as for unearned premiums and losses;

.

regulating certain premium rates and requiring deposits for the benefit of policyholders;

.

establishing maximum interest rates on insurance policy loans and minimum rates for guaranteed cre
insurance policies;

.

establishing standards of solvency, including risk-based capital measurements, which are a measure
National Association of Insurance Commissioners (NAIC) and used by state insurance regulators to
companies that potentially are inadequately capitalized;

.

mandating certain insurance benefits and restricting the size of risks insurable under a single policy;

.

regulating unfair trade and claims practices, including the imposition of restrictions on marketing a
distribution arrangements and payment of inducements;

·

requiring the filing of annual and other reports relating to the financial condition of insurance companies
issues and other matters;

·

approving changes in control of insurance companies;

·

restricting transactions between insurance companies and their affiliates, including the payment of dividen

·

regulating the nature or types, concentration or amounts, quality and valuation of investments.

Currently, the U.S. federal government does not directly regulate the business of insurance. However, the
Street Reform and Consumer Protection Act (the Dodd-Frank Act), which was signed into law in Ju
Obama, expanded the U.S. federal government s presence in insurance oversight, streamlined state-
reinsurance and non-admitted insurance and established a new Federal Insurance Office with powers
insurance other than health insurance. The Federal Insurance Office is authorized to gather data and info
aspects of the insurance industry, identify issues in the regulation of insurers about insurance matters,
insurance measures under certain circumstances. As the Dodd-Frank Act calls for numerous studies and c
regulation, its future impact on our results of operations or financial position cannot be determined at this t

In addition, the Dodd-Frank Act, along with the Sarbanes-Oxley Act of 2002, regulates corporate gov
compensation and other areas, as well as laws relating to federal trade restrictions, privacy/data security,
terrorism risk insurance laws. Additionally, federal legislation and administrative policies in other areas ca
adversely affect insurance companies, including general financial services regulation, securities r
regulation, tort reform legislation, and taxation.

We are uncertain as to the impact that this new legislation and regulatory guidance will have on the Co
assure that it will not adversely affect our financial condition and results of operations. In addition
applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws a
materially increase our direct and indirect compliance efforts and other expenses of doing business.

Changes in regulation, or the application thereof, may reduce our profitability and limit our growth

Legislation or other regulatory reform that increases the regulatory requirements imposed on us or that c
are able to do business may significantly harm our business or results of operations in the future. Furth
regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance co
products. Changes in these laws and regulations or in interpretations thereof, or new judicial decisions affe
industry, are often made for the benefit of the consumer at the expense of the insurer and thus could hav
on our business. We cannot predict what impact, if any, the results of these studies or other such propos
have on our financial condition, results of operations and cash flows. If we were unable for any reason to
requirements, it could result in substantial costs to us and may materially adversely affect our results
financial condition.

Several proposals have been adopted or are currently pending to amend state insurance holding company l
scope of insurance holding company regulation. The timing of their adoption and content will vary by sta
include the NAIC Solvency Modernization Initiative, which focuses on capital requirements, as
Solvency Assessment (ORSA), which requires large- and medium-sized U.S. insurers and insuranc
perform an ORSA and file a confidential ORSA Summary Report of the assessment with
each insurance company upon request.

We cannot predict the full effect of these or any other regulatory initiatives on the Company at this time, l
a material adverse effect on the Company s results of operations, cash flows and financial condition.]

**Changes to health insurance laws may adversely affect our business, cash flows, financial condit
operations.**

Although health insurance is generally regulated at the state level, actions at the federal level have affe
continue to affect our business. Since the Affordable Care Act (ACA) became law in March 2010, it ha
and fundamental changes to the U.S. health care and health insurance industries. The effects on our bu
decisions to exit the major medical business, which is directly affected by the ACA, and to focus o
insurance products that are only indirectly affected by the ACA.

The ACA also affects us as an employer because it significantly affects the provision of both health
benefits in the United States. The ACA may impact our cost of providing our employees with healt
benefits, and may also impact various other aspects of our business. We are continually assessing the imp
our health care benefit costs.

The Trump Administration will undoubtedly have an impact on the ACA, however we are unable to prec
legislation or regulation, if any, relating to the health insurance industry may be enacted in the future o
legislation or regulation would have on our business.

We will continue to monitor efforts to repeal the ACA and reassess our business strategies accordingly. V
are continuing to make, significant changes to our operations, products and strategy to adapt to the
However, if our plans for operating in the new environment are unsuccessful or if there is less demand
our products in the new environment, our results could be adversely affected.

**If we fail to comply with extensive state and federal regulations, we will be subject to penalties, w
fines and suspension and which may adversely affect our results of operations and financial conditio**

Some states have imposed time limits for the payment of uncontested covered claims and require hea
service plans to pay interest on uncontested claims not paid promptly within the required time period. So
granted their insurance regulatory agencies additional authority to impose monetary penalties and other
and dental plans engaging in certain unfair payment practices. If we were unable, for any reason, to
requirements, it could result in substantial costs to us and could materially adversely affect our result
financial condition.

A large portion of our business depends on our compliance with applicable laws and regulations and our
valid licenses and approvals for our operations. Regulatory authorities have broad discretion to grant, ren
licenses and approvals. In some instances, we follow practices based on our interpretations of regulation
that we believe to be generally followed by the industry, which may be different from the requirements o
regulatory authorities. If we do not have the requisite licenses and approvals and do not comply with ap
requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carryin
our insurance-related activities or otherwise penalize us. That type of action could have a material ad
business. Also, changes in the level of regulation of the insurance industry (whether federal, state or fore
laws or regulations themselves or interpretations by regulatory authorities, could have a material adv
business.

Our results may fluctuate as a result of factors generally affecting the insurance and reinsurance ind

The results of companies in the insurance and reinsurance industry historically have been subject to sign
and uncertainties. The industry and our financial condition and results of operations may be affected signi

.

Fluctuations in interest rates, inflationary pressures and other changes in the investment environment, whi
invested capital;

.

Rising levels of actual costs that are not known by companies at the time they price their products;

.

Losses related to epidemics, terrorist activities, random acts of violence or declared or undeclared war;

.

Development of judicial interpretations relating to the scope of insurers' liability;

.

The overall level of economic activity and the competitive environment in the industry;

.

Greater than expected use of health care services by members;

.

New mandated benefits or other regulatory changes that change the scope of business or increase our costs

.

Failure of managing general underwriters, agents, third-party administrators and producers to adhere t
guidelines, market-conduct practices and other requirements (as applicable) under their agreements with u

The occurrence of any or a combination of these factors, which is beyond our control, could have a materi
our results.

**We may experience periods with excess underwriting capacity and unfavorable premium rates beca
and reinsurance business is historically cyclical, which could cause our results to fluctuate.**

The insurance and reinsurance business historically has been a cyclical industry characterized by perio
competition due to excessive underwriting capacity, as well as periods when shortages of capacity perm
pricing and, thus, more favorable premium levels. An increase in premium levels is often, over time, offs
supply of insurance and reinsurance

capacity, either by capital provided by new entrants or by the commitment of additional capital by e
reinsurers, which may cause prices to decrease. Any of these factors could lead to a significant reductio
less favorable policy terms and fewer opportunities to underwrite insurance risks, which could have a ma
on our results of operations and cash flows.

Failures elsewhere in the insurance industry could obligate us to pay assessments through guaranty

Virtually all states require insurers licensed to do business in that state to bear a portion of the loss suffere
as the result of impaired or insolvent insurance companies or to bear a portion of the cost of insuran
uninsured individuals. When an insurance company becomes insolvent, state insurance guaranty associa
to assess other insurance companies doing business in their state for funds to pay obligations to policyhold
company, up to the state-specific limit of coverage. Depending on state law, insurers can be assessed up
written for the relevant line of insurance in that state. The total amount of the assessment is based on the
residents in each state, and each company s portion is based on its proportionate share of premium vo
lines of business. The future failure of a large life, health or annuity insurer could trigger assessment
obligated to pay. Further, amounts for historical insolvencies may be assessed over many years, and ther
uncertainty around the total obligation for a given insolvency. Existing liabilities may not be sufficient t
obligations of a historical insolvency, and we may be required to increase our liability, which could have a
our results of operations.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

None.

ITEM 2.

PROPERTIES

IHC

IHC has entered into a renewable short-term arrangement with Geneve Corporation, an affiliate, for the u
feet of office space as its corporate headquarters in Stamford, Connecticut.

Standard Security Life

Standard Security Life leases 13,000 square feet of office space in New York, New York as its corporate h

Madison National Life

Madison National Life leases 15,357 square feet of space in Madison, Wisconsin as its corporate headquar

IHC Carrier Solutions

IHC Carrier Solutions leases 11,297 square feet of office space in Phoenix, Arizona as its corporate headq

IHC Specialty Benefits

IHC Specialty Benefits leases 6,391 square feet of office space in Minneapolis, Minnesota as its corporate

ITEM 3.

LEGAL PROCEEDINGS

We are involved in legal proceedings and claims that arise in the ordinary course of our businesses. W
reserves that we believe are sufficient given information presently available relating to our outstanding leg
claims. We do not anticipate that the result of any pending legal proceeding or claim will have a materia
our financial condition or cash flows, although there could be such an effect on our results of operation
period.

A third party administrator with whom we formerly did business (Plaintiff) filed a Complaint dated
United States District Court, Northern District of Texas, Dallas Division, naming IHC, Madison Natio
Security Life, and IHC Carrier Solutions, Inc. (collectively referred to as Defendants). The Complain
entered into by Standard Security Life and Madison National Life with Plaintiff, as well as other al
Plaintiff against the Defendants. The Complaint seeks injunctive relief and damages in an amount exce
profit share payments allegedly owed to Plaintiff under the agreements totaling at least $3,082,000 t
additional amounts for 2015 and 2016, and exemplary and punitive damages as allowed by law and fo
Defendants have not yet been served, but if they are served they intend to vigorously contest the claims, w
be without merit. The Defendants will file significant counterclaims against Plaintiff demanding reimb
Plaintiff for damages and expenses.

ITEM 4.

MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED

STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company's common stock trades under the symbol IHC on the New York Stock Exchange. The fol for the periods indicated the high and low sales prices for IHC's common stock as reported by the Exchange.

		HIGH		LOW
QUARTER ENDED:				
December 31, 2016	$	21.23	$	17.03
September 30, 2016		19.15		16.20
June 30, 2016		17.97		15.05
March 31, 2016		16.91		13.16
QUARTER ENDED:				
December 31, 2015	$	15.81	$	12.90
September 30, 2015		13.80		11.76
June 30, 2015		14.10		11.29
March 31, 2015		14.05		11.63

IHC's stock price closed at $19.55 on December 31, 2016.

Holders of Record

At May 15, 2017, the number of record holders of IHC's common stock was 1,845. The number of r determined from the Company s stockholder records maintained by the Company s transfer agent.

Dividends

IHC declared a cash dividend of $.045 per share on its common stock on June 20, 2016 and declared a ca
per share on its common stock on November 29, 2016, for a total annual dividend of $.105 per share.

IHC declared a cash dividend of $.045 per share on its common stock on each of June 22, 2015 and Dece
total annual dividend of $.09 per share.

IHC declared a cash dividend of $.035 per share on its common stock on each of June 26, 2014 and Dece
total annual dividend of $.07 per share.

Share Repurchase Program

IHC has a program, initiated in 1991, under which it repurchases shares of its common stock. In August
Directors increased the number of shares that can be repurchased to 3,000,000 shares of IHC common stoc
31, 2016, 2,895,442 shares were still authorized to be repurchased.

There were no share repurchases during the fourth quarter of 2016.

Performance Graph

Set forth below is a line graph comparing the five year cumulative total return of IHC s common stock wi
2000 Index and the S & P 500 Life & Health Insurance index. The graph assumes that dividends wer
based on a $100 investment on December 31, 2011. Indices data was obtained from Research Data
performance graph represents past performance and should not be considered to be an indication of future

ITEM 6.

SELECTED FINANCIAL DATA

The following is a summary of selected consolidated financial data of the Company for each of the last fiv

	Year Ended December 31,			
	2016	**2015**	**2014**	**2013**
Income Data:				
Total revenues	$ 311,004	$ 530,495	$ 530,348	$ 574,4
Income from continuing operations	22,510	27,974	15,021	15,4
Balance Sheet Data:				
Total investments	514,820	488,159	650,961	608,9
Total assets	1,134,464	1,197,963	1,196,227	1,277,5
Insurance liabilities	603,867	711,475	728,883	837,5
Debt and junior subordinated debt securities	-	43,335	42,146	44,1
IHC stockholders' equity	436,559	323,351	299,687	277,3
Per Share Data:				
Cash dividends declared per common share	.105	.09	.07	
Basic income (loss) per common share from continuing operations	1.28	1.59	.83	
Diluted income (loss) per common share from continuing operations	1.27	1.58	.82	
Book value per common share	25.53	18.73	17.25	15

The Selected Financial Data should be read in conjunction with the accompanying Consolidated Financ Notes thereto included in Item 8 of this report.

ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AN OPERATIONS

OVERVIEW

Independence Holding Company, a Delaware corporation (NYSE: IHC), is a holding company principally
and health insurance business through: (i) its insurance companies, Standard Security Life Insurance Com
("Standard Security Life"), Madison National Life Insurance Company, Inc. ("Madison National Life")
American Insurance Company (Independence American); and (ii) its marketing and administrative com
Specialty Benefits Inc. and IHC Carrier Solutions, Inc. IHC also owns a significant equity interest
Exchange Holdings, LLC (Ebix Health Exchange), an administration exchange for health insuran
interest in a managing general underwriter (MGU) that writes medical stop-loss. On March 31, 2016, t
Risk Solutions, LLC (Risk Solutions), an MGU that was its principal source of medical stop-loss busi
the in-force medical stop-loss business of Standard Security Life and Independence American produced
was 100% co-insured as of January 1, 2016 and IHC s block of medical stop-loss business is in run-of
Life, Madison National Life and Independence American are sometimes collectively referred to as the I
and its subsidiaries (including the Insurance Group) are sometimes collectively referred to as the "Compa
implicit in the terms we , us and our .

IHC s health insurance products serve niche sectors of the commercial market through multiple classes o
distribution channels. Medical stop-loss was marketed to employer groups that self-insure their medical r
those persons in the growing individual market, IHC s products offer coverage for individuals and fam
needs, and fixed indemnity limited benefit and scheduled benefit plans through multiple distribution par
insurance for dogs and cats in all 50 states through select distributors. Our fixed indemnity limited
primarily purchased by hourly workers and others who are generally not eligible for coverage under the
medical plan. The dental and vision products are marketed to large and small groups as well as individu
IHC s life and disability business, Madison National Life has historically sold almost all of this b
distribution source specializing in serving school districts and municipalities.

While management considers a wide range of factors in its strategic planning and decision-making, un
consistently emphasized as the primary goal in all decisions as to whether or not to increase our reten
expand into new products, acquire an entity or a block of business, or otherwise change our business mo
assessment of trends in healthcare and morbidity, with respect to specialty medical, disability and Ne
disability (DBL); mortality rates with respect to life insurance; and changes in market conditions in ge
role in determining the rates charged, deductibles and attachment points quoted, and the percentage of bus
also seeks transactions that permit it to leverage its vertically integrated organizational structure by ge
from production and administrative operating companies as well as risk income for its carriers. Mana
focused on managing the costs of its operations.

The following is a summary of key performance information and events:

Results of operations are summarized as follows for the periods indicated (in thousands):

	2016	2015	2
Revenues	$ 311,004	$ 530,495	$ 5
Expenses	278,939	486,617	5
Income from continuing operations before income taxes	32,065	43,878	
Income taxes	9,555	15,904	
Income from continuing operations	22,510	27,974	
Income from discontinued operations	110,804	2,548	
Net income	133,314	30,522	
Less: Income from noncontrolling interest in subsidiaries	(10,016)	(578)	
Net income attributable to IHC	$ 123,298	$ 29,944	$

.

Income from continuing operations of $1.27 per share, diluted, for the year ended December 31, 2016 cor
share, diluted, for the same period in 2015.

o

Net income for the year ended December 31, 2015 includes a $6.7 million gain, net of tax, resulting from
of a subsidiary and corresponding joint venture transaction. See discussion on Gain on Sale of Subsidiary

o

Net income for the year ended December 31, 2015 includes a gain of $3.3 million, net of tax, on the sale c
associated with the administration of substantially all of our individual life and annuity policies ceded
Other Income.

.

Consolidated investment yield (on an annualized basis) of 2.7% in 2016 compared to 2.8% in 2015; and

.

Book value of $25.53 per common share at December 31, 2016 compared to $18.73 at December 31, 2015

The following is a summary of key performance information by segment:

.

The Medical Stop-Loss segment reported income before taxes of $16.7 million for the year ended D
Income from the Medical Stop-loss segment in 2016 is principally due to ceding commissions on coinsura
of Risk Solutions and exit from the medical stop-loss business. Premiums earned and amounts recorded
and reserves in the Medical Stop-Loss segment during 2016 represent the activity of the remaining
stop-loss business in run-off. In 2015, the Medical Stop-Loss segment reported income before taxes of $18

.

The Company has renamed its Fully Insured segment Specialty Health . Specialty Health more acc
nature of the products that IHC markets in this segment and continues to expand into since its exit from
market. The Specialty Health segment reported $7.2 million of income before taxes for the year ended I
compared to $6.5 million for the comparable period in 2015. The increase was primarily the result of incr
marketing of our short-term medical, scheduled benefit and gap plans, and growth in the pet insuranc
partially offset by poor underwriting results in our occupational accident business.

o

Underwriting experience, as indicated by its U.S. GAAP Combined Ratios, for the Specialty Health seg
for the years indicated (in thousands):

	2016	2015	2014
Premiums Earned	$ 154,397	$ 171,912	$ 218,949
Insurance Benefits, Claims & Reserves	81,215	93,916	146,431
Expenses	68,891	71,641	75,929

Loss Ratio	52.6%	54.6%	66.9%
Expense Ratio	44.6%	41.7%	34.7%
Combined Ratio	97.2%	96.3%	101.6%

(A)

Loss ratio represents insurance benefits claims and reserves divided by premiums earned.

(B)

Expense ratio represents net commissions, administrative fees, premium taxes and other underwriting e
premiums earned.

(C)

The combined ratio is equal to the sum of the loss ratio and the expenses ratio.

o

Although the loss ratio for the year ended December 31, 2016 was slightly lower than the same period in
would have been significantly lower (48.0%) excluding the occupational accident line of business. Poor
business underwritten by its occupational accident agency led to the Company s decision to sell suc
business produced by it. Expense ratios are higher for the year ended December 31, 2016 because of a c
business from major medical to specialty health products and a reallocation of certain fixed costs from th
line to the specialty health segment.

.

Income before taxes from the Group disability, life and DBL segment increased $2.1 million in 2016 com
results. The overall increase is primarily due to increased volume;

.

Loss before income taxes from the Individual life, annuities and other segment increased $2.4 million
December 31, 2016, primarily due to the ceding of substantially all of the life and annuity blocks in the th
Current year activity primarily consists of the amortization of the related reinsurance costs whereas
includes a $5.1 million pre-tax gain recorded in connection with the sale of the infrastructure as
administration of the individual life and annuity policies ceded in 2015;

.

Loss before tax from the Corporate segment for the year ended December 31, 2016 increased $0.6 mil
period in 2015 primarily due to compensation costs and increased audit and consulting fees; and

.

Premiums by principal product for the years indicated are as follows (in thousands):

Gross Direct and Assumed Earned Premiums:		**2016**		**2015**		**2014**
Medical Stop-Loss	$	264,101	$	302,709	$	240,865
Specialty Health		163,810		186,716		241,486
Group disability; life and DBL		123,245		116,500		107,049
Individual life, annuities and other		30,285		23,552		26,186
	$	581,441	$	629,477	$	615,586

Net Premiums Earned:		**2016**		**2015**		**2014**
Medical Stop-Loss	$	12,070	$	209,765	$	176,941
Specialty Health		154,397		171,912		218,949
Group disability; life and DBL		96,190		85,953		64,260
Individual life, annuities and other		47		11,904		18,898
	$	262,704	$	479,534	$	479,048

Information pertaining to the Company's business segments is provided in Note 18 of Notes to Cons
Statements included in Item 8.

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform to U.S. GAAP. The preparation of
Financial Statements in conformity with U.S. GAAP requires the Company's management to m
assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual
from those estimates. A summary of the Company's significant accounting policies and practices is provid
Notes to the Consolidated Financial Statements included in Item 8 of this report. Management has identi
policies described below as those that, due to the judgments, estimates and assumptions inherent in those
to an understanding of the Company's Consolidated Financial Statements and this Management's Discussi

Insurance Premium Revenue Recognition and Policy Charges

Premiums for short-duration medical insurance contracts are intended to cover expected claim costs resu
events that occur during a fixed period of short duration. The Company has the ability to not renew the c
the premium rates at the end of each annual contract period to cover future insured events. Insurance pre
health contracts are collected monthly and are recognized as revenue evenly as insurance protection is pro

Premiums related to long-term and short-term disability contracts are recognized on a pro rata basis o
contract term.

Traditional life insurance products consist principally of products with fixed and guaranteed prem
primarily term and whole life insurance products. Premiums from these products are recognized as revenu

Annuities and interest-sensitive life contracts, such as universal life and interest-sensitive whole life, a
terms are not fixed and guaranteed. Premiums from these policies are reported as funds on deposit. Policy
fees assessed against the policyholder for cost of insurance (mortality risk), policy administration and ear
revenues are recognized when assessed against the policyholder account balance.

Policies that do not subject the Company to significant risk arising from mortality or morbidity are con
contracts. Deposits received from such contracts are reported as other policyholder funds. Policy char
contracts consist of fees assessed against the policyholder account for maintenance, administration an
policy prior to contractually specified dates, and are recognized when assessed against the policyholder ac

Insurance Liabilities

Policy Benefits and Claims

The Company maintains loss reserves to cover its estimated liability for unpaid losses and loss adjustme
material, (including legal, other fees, and costs not associated with specific claims but related to th
function) for reported and unreported claims incurred as of the end of each accounting period. These loss
on actuarial assumptions and are maintained at levels that are in accordance with U.S. GAAP accountin
factors could affect these reserves, including economic and social conditions, frequency and severity of cl
resulting from the influences of underlying cost inflation, changes in utilization and demand for me
changes in doctrines of legal liability and damage awards in litigation. Therefore, the Company s rese
based on estimates, assumptions and analysis of historical experience. The Company s results depen

between actual claims experience and the assumptions used in determining reserves and pricing
assumptions and estimates require significant judgment and, therefore, are inherently uncertain. Th
determine with precision the ultimate amounts that will be paid for actual claims or the timing of th
Company's estimate of loss represents management's best estimate of the Company's liability at the balanc

Loss reserves differ for short-duration and long-duration insurance policies, including annuities. Res
approved actuarial methods, but necessarily include assumptions about expenses, mortality, morbidity, la
yield on related investments.

All of the Company s short-duration contracts are generated from its accident, health, term life, disabil
business, and are accounted for based on actuarial estimates of the amount of loss inherent in that period
losses incurred for which claims have not been reported. Short-duration contract loss estimates rely on act
of ultimate loss experience for similar historical events.

The Company believes that its liability for policy benefits and claims is reasonable and adequate to
liability. The Company primarily uses its own loss development experience, but will also supplement tha
outside actuaries, reinsurers and industry loss experience as warranted. To illustrate the impact that Loss
Company s loss reserves and related expenses, each hypothetical 1% change in the Loss Ratio for the hea
ratio of insurance benefits, claims and settlement expenses to earned health premiums) for the year en
2016, would increase reserves (in the case of a higher ratio) or decrease reserves (in the case of
approximately $2.5 million with a corresponding increase or decrease in the pre-tax expense for insuran
and reserves in the Consolidated Statement of Income. Depending on the circumstances surrounding a
Ratio, other pre-tax amounts reported in the Consolidated Statement of Income could also be affected, su
of deferred acquisition costs and commission expense.

The liability for policy benefits and claims by segment is as follows (in thousands):

	December 31, 2016	
	Policy Benefits	**Policy Claims**
Medical Stop-Loss	$ 54,760	$ -
Specialty Health	50,237	-
Group Disability	83,017	21,411
Individual Accident and Health and Other	6,391	3,297
	$ 194,405	$ 24,708

	December 31, 2015	
	Policy Benefits	**Policy Claims**
Medical Stop-Loss	$ 100,088	$ -
Specialty Health	41,477	-
Group Disability	85,416	12,570
Individual Accident and Health and Other	5,694	198
	$ 232,675	$ 12,768

Specialty Health

For the Specialty Health business, incurred but not reported (IBNR) claims liabilities plus expected de
claims are calculated using standard actuarial methods and practices. The primary assumption in
Specialty Health reserves is that historical Claim Development Patterns are representative of future C
Patterns. Factors that may affect this assumption include changes in claim payment processing times and p
in time delay in submission of claims, and the incidence of unusually large claims. Liabilities for policy
for specialty health medical and disability coverage are computed using completion factors and expect
derived from actual historical premium and claim data. The reserving analysis includes a review o
statistical measures and large claim early

notifications; the potential impacts of any changes in these factors are not material. The Company h
serviced by third-party administrators. From time to time, there are changes in the timing of claims pro
number of factors including, but not limited to, system conversions and staffing changes during the year.
monitored by the Company and the effects of these changes are taken into consideration during the claim
Other than these considerations, there have been no significant changes to methodologies and assumpt
year.

While these calculations are based on standard methodologies, they are estimates based on historical patt
that actual claim payment patterns differ from historical patterns, such estimated reserves may be redunc
The effects of such deviations are evaluated by considering claim backlog statistics and reviewing the
projected claim ratios. Other factors which may affect the accuracy of policy benefits and claim est
proportion of large claims which may take longer to adjudicate, changes in billing patterns by providers ar
management practices such as hospital bill audits.

Since our analysis considered a variety of outcomes related to these factors, the Company does no
reasonably likely change in these factors will have a Material Effect.

Disability

The Company s disability business is comprised of group disability and DBL. The two primary
disability policy benefits and claims are based are: (i) morbidity levels; and (ii) recovery rates. If morbic
for example due to an epidemic or a recessionary environment, the Company would increase reserves beca
more new claims than expected. In regard to the assumed recovery rate, if disabled lives recover
anticipated then the existing claims reserves would be reduced; if less quickly, the existing claims
increased. Advancements in medical treatments could affect future recovery, termination, and mortality ra

With respect to DBL, the liability for policy benefits and claims for the most recent quarter of earned pre
using a Net Loss Ratio methodology. The Net Loss Ratio is determined by applying the completed pr
historical Net Loss Ratios to the last quarter of earned premium. Policy benefits and claims associated
earned prior to the last quarter are established using a completion factor methodology. The completion fa
using the historical payment patterns for DBL.

With respect to group disability, other assumptions are: (i) changes in market interest rates; (ii) chan
advancements in medical treatments; and (iv) cost of living. Changes in market interest rates cou
assumptions since the payout period could be as long as 40 years. Changes in offsets such as Social
retirement plans and state disability plans also impact reserving. As a result of the forgoing assumption
the historical trend may not be an accurate predictor of the future development of the block. As wi
insurance reserves that require judgment, the reserving process is subject to uncertainty and volatility ar
not be indicative of the claim development overall.

While the Company believes that larger variations are possible, the Company does not believe that reason
in its primary assumptions would have a Material Effect.

Medical Stop-Loss

On March 31, 2016, the Company sold Risk Solutions, an MGU that was its principal source of medical
All of the in-force medical stop-loss business of Standard Security Life and Independence American
Solutions was 100% co-insured as of January 1, 2016 and IHC s block of medical stop-loss business is in

Liabilities for policy benefits and claims on medical stop-loss coverage are computed using completion fa
Net Loss Ratios derived from actual historical premium and claim data. Policy benefits and claims for
insurance are more volatile in nature than those for specialty health medical insurance. This is primaril
nature of medical stop-loss, with very high deductibles applying to specific claims on any individual c
aggregate for a given group. The level of these deductibles makes it more difficult to predict the am
pattern of such claims. Furthermore, these excess claims are highly sensitive to changes in factors suc
provider contracts and medical treatment protocols, adding to the difficulty in predicting claim valu
reserves. Also, because medical stop-loss is in excess of an underlying benefit plan, there is an additi
reporting and processing that can affect claim payment patterns. Finally, changes in the distribution of bu
month can affect reserve estimates due to the timing of claim occurrences and the time required to accumu
the stop-loss deductible.

The two primary or key assumptions underlying the calculation of policy benefits and claims for Me
are (i) projected Net Loss Ratio, and (ii) claim development patterns. The projected Net Loss Ratio is se
consistent with the underlying assumptions (Projected Net Loss Ratio). Claim development patter
reserve estimates are developed and are based on recent claim development history (Claim Develop
Company uses the Projected Net Loss Ratio to establish reserves until developing losses provide a b
ultimate results and it is feasible to set reserves based on Claim Development Patterns. The Company h
reasonably likely change in the Projected Net Loss Ratio assumption could have a material effect on the C
condition, results of operations, or liquidity (Material Effect) but a reasonably likely change in the
Pattern would not have a Material Effect.

Projected Net Loss Ratio

Generally, during the first twelve months of an underwriting year, policy benefits and claims for Medical
set at the Projected Net Loss Ratio, which is set using assumptions developed using completed prior c
forward. The Projected Net Loss Ratio is the Company s best estimate of future performance until such
losses provide a better indication of ultimate results.

Major factors that affect the Projected Net Loss Ratio assumption in reserving for Medical Stop-Loss rela
and severity of claims; (ii) changes in medical trend resulting from the influences of underlying cost in
utilization and demand for medical services, the impact of new medical technology and changes in
protocols; and (iii) the adherence to the Company s underwriting guidelines. Changes in these underly
determine the reasonably likely changes in the Projected Net Loss Ratio as discussed above.

Claim Development Patterns

Subsequent to the first twelve months of an underwriting year, the Company s developing losses provide
ultimate losses. At this point, claims have developed to a level where Claim Development Patterns can be
reasonably reliable estimates of ultimate claim levels. Development factors based on historical patterns
and reported claims to estimate fully developed claims. Claim Development Patterns are reviewed q
estimates are developed and are based on recent claim development history. The Company must determi
in development represent true indications of emerging experience or are simply due to random claim fluct

The Company also establishes its best estimates of claim development factors to be applied to more de
experience. While these factors are based on historical Claim Development Patterns, actual claim dev
from these estimates. The Company does not believe that reasonably likely changes in its actual claim de
would have a Material Effect.

Predicting ultimate claims and estimating reserves in Medical Stop-Loss is more complex than specialty
disability business due to the excess of loss nature of these products with very high deductibles applyin
any individual claimant and in the aggregate for a given group. The level of these deductibles makes
predict the amount and payment pattern of such claims. Fluctuations in results for specific coverage are
severity and frequency of individual claims, whereas fluctuations in aggregate coverage are largely attrib
of underlying claims rather than severity. Liabilities for first dollar medical reserves and disability cove
using completion factors and expected Net Loss Ratios derived from actual historical premium and claim

Due to the short-term nature of Medical Stop-Loss, redundancies or deficiencies will typically emerge d
the following year rather than over a number of years. For Medical Stop-Loss, as noted above, the Con
reserves based on underlying assumptions until it determines that an adjustment is appropriate based on e
from all of its prior underwriting years.

Individual Accident and Health and Other

This segment is a combination of closed lines of business as well as certain small existing lines. While th
in setting reserves vary between these different lines of business, the assumptions would generally relate
the rate of disability; (ii) the morbidity rates on specific diseases; and (iii) accident rates. The reported re
management s best estimate for each line within this segment. General uncertainties that surround all
methodologies would apply. However, since the Company has so few policies of this type, volatility m
small number of claims.

Management believes that the Company's methods of estimating the liabilities for policy benefits a
appropriate levels of reserves at December 31, 2016. Changes in the Company's policy benefits and c
recorded through a charge or credit to its earnings.

Future Policy Benefits

The liability for future policy benefits consists of the liabilities related to insured events for the Comp
contracts, primarily its life and annuity products. For traditional life insurance products, the Company co
for future policy benefits primarily using the net premium method based on anticipated investment yi
withdrawals. These methods are widely used in the life insurance industry to estimate the liabilities for
Inherent in these calculations are management and actuarial judgments and estimates that could signi
ending reserve liabilities and, consequently, operating results. Actual results may differ, and these esti

interpretation and change.

Management believes that the Company's methods of estimating the liabilities for future policy benefits pr
levels of reserves at December 31, 2016 and 2015. Changes in the Company's future policy benefits esti
through a charge or credit to its earnings.

Other Policyholders Funds

Other policyholders funds represent interest-bearing liabilities arising from the sales of products, su
interest-sensitive life and annuities. Policyholder funds are primarily comprised of

deposits received and interest credited to the benefit of the policyholder less surrenders and withdrawals
and administrative expenses.

Interest credited to policyholder funds represents interest accrued or paid on interest-sensitive life polic
policies. These amounts are reported in insurance benefits, claims and reserves on the Consolidated Sta
Credit rates for certain annuities and interest-sensitive life policies are adjusted periodically by the C
current market conditions, subject to contractually guaranteed minimum rates.

Investments

The Company has classified all of its investments as either available-for-sale or trading securities. The
carried at fair value with unrealized gains and losses reported through other comprehensive
available-for-sale securities or as unrealized gains or losses in the Consolidated Statements of Income fo
Available-for-sale securities totaled $454.8 million and $437.0 million at December 31, 2016 and 2
Premiums and discounts on debt securities purchased at other than par value are amortized and accret
interest income in the Consolidated Statements of Income, using the constant yield method over the peri
realized gains and losses on investments are computed using the specific identification method and
Consolidated Statements of Income on the trade date.

Fair value is determined using quoted market prices when available. In some cases, we use quoted mark
instruments in active markets and/or model-derived valuations where inputs are observable in active mark
limited or inactive trading markets, we use industry-standard pricing methodologies, including discounted
whose inputs are based on management assumptions and available current market information.
independent pricing vendors to assist in valuing certain instruments. Most of the securities in our portfo
either Level 1 or Level 2 of the Fair Value Hierarchy.

The Company periodically reviews and assesses the vendor s qualifications and the design and appropri
methodologies. Management will on occasion challenge pricing information on certain individual secu
communications with the vendor, obtain information about the assumptions, inputs and methodologies us
securities, and corroborate it against documented pricing methodologies. Validation procedures are in
completeness and accuracy of pricing information, including, but not limited to: (i) review of except
identify any zero or un-priced securities; (b) identify securities with no price change; and (c) ident
significant price changes; (ii) performance of trend analyses; (iii) periodic comparison of pricing to
sources; and (iv) comparison of pricing changes to expectations based on rating changes, benchmarks or
certain circumstances, pricing is unavailable from the vendor and broker pricing information is used to d
In these instances, management will assess the quality of the data sources, the underlying ass
reasonableness of the broker quotes based on the current market information available. To determi
represents an error, management will often have to exercise judgment. Procedures to resolve an exception
the significance of the security and its related class, the frequency of the exception, the risk of material mi
availability of information for the security. These procedures include, but are not limited to: (i) a price cha
the vendor; (ii) pricing from a different vendor; (iii) a reasonableness review; and (iv) a change in pr

information, such as an actual market trade, among other things. Management considers all facts and re
obtained during the above procedures to determine the proper classification of each security in the Fair Va

Declines in value of securities available-for-sale that are judged to be other-than-temporary are deterr
specific identification method. The Company reviews its investment securities regularly and de
other-than-temporary impairments have occurred. The factors

considered by management in its regular review to identify and recognize other-than-temporary impairm
maturities include, but are not limited to: the length of time and extent to which the fair value has been
Company's intent to sell, or be required to sell, the debt security before the anticipated recovery of its re
cost basis; the financial condition and near-term prospects of the issuer; adverse changes in ratings an
more rating agencies; subordinated credit support; whether the issuer of a debt security has remained curre
interest payments; current expected cash flows; whether the decline in fair value appears to be
alternatively, a reflection of general market or industry conditions including the effect of changes in mar
the Company intends to sell a debt security, or it is more likely than not that it would be required to sell a
the recovery of its amortized cost basis, the entire difference between the security's amortized cost basis
the balance sheet date would be recognized by a charge to total other-than-temporary impairment losses
Statement of Income. If a decline in fair value of a debt security is judged by management to be other-t
(i) the Company does not intend to sell the security; and (ii) it is not more likely than not that it will be
security prior to recovery of the security s amortized cost, the Company assesses whether the present va
to be collected from the security is less than its amortized cost basis. To the extent that the present valu
generated by a debt security is less than the amortized cost basis, a credit loss exists. For any such security
bifurcated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of th
related to all other factors. The amount of the other-than-temporary impairment related to the credit loss
charge to total other-than-temporary impairment losses in the Consolidated Statement of Income, estal
basis for the security. The amount of the other-than-temporary impairment related to all other factors is
comprehensive income (loss). It is reasonably possible that further declines in estimated fair values of su
changes in assumptions or estimates of anticipated recoveries and/or cash flows, may cause further oth
impairments in the near term, which could be significant.

In assessing corporate debt securities for other-than-temporary impairment, the Company evaluates the ab
meet its debt obligations and the value of the company or specific collateral securing the debt position. Fo
securities where loan level data is not available, the Company uses a cash flow model based on the collat
Assumptions about loss severity and defaults used in the model are primarily based on actual losses exper
in the collateral pool. Prepayment speeds, both actual and estimated, are also considered. The cash flow
collateral securing these securities are then determined with these default, loss severity and prepayment
collateral cash flows are then utilized, along with consideration for the issue s position in the overall st
the cash flows associated with the mortgage-backed security held by the Company. In addition, the Comp
asset-backed securities for other-than-temporary impairment by examining similar characteristics re
mortgage-backed securities. The Company evaluates U.S. Treasury securities and obligations of
corporations, U.S. Government agencies, and obligations of states and political subdivisions for oth
impairment by examining the terms and collateral of the security.

Equity securities may experience other-than-temporary impairment in the future based on the prospects
value in a reasonable period of time and the Company s ability and intent to hold the security to recover
value is judged by management to be other-than-temporary or management does not have the intent
security, a loss is recognized by a charge to total other-than-temporary impairment losses in the Consoli
Income. For the purpose of other-than-temporary impairment evaluations, redeemable preferred stocks
manner similar to debt securities. Declines in the creditworthiness of the issuer of debt securities
equity-like features are evaluated using the equity model in consideration of other-than-temporary impairm

Goodwill and Other Intangible Assets

Goodwill carrying amounts are evaluated for impairment, at least annually, at the reporting unit level tha
operating segment. If the fair value of a reporting unit is less than its carrying amount, further evalu
determine if a write-down of goodwill is required. In determining the fair value of each reporting unit,
approach, applying a discounted cash flow method that included a residual value. Based on historical e
assumptions as to: (i) expected future performance and future economic conditions, (ii) projected oper
projected new and renewal business as well as profit margins on such business, and (iv) a discount rate t
appropriate risk level for the reporting unit. Any impairment of goodwill would be charged to expense.

At December 31, 2016, the Company s market capitalization was less than its book value indicating a po
goodwill. As a result, the Company assessed the factors contributing to the performance of IHC
concluded that the market capitalization does not represent the fair value of the Company. The Com
factors that have led to a difference between the market capitalization and the fair value of the Compan
Company s stock is thinly traded and a sale of even a small number of shares can have a large percentag
of the stock, (ii) Geneve Corporation and insiders own approximately 58% of the outstanding share
significant adverse impact on the number of shares available for sale and therefore the trading potentia
(iii) lack of analyst coverage of the Company. If we experience a sustained decline in our results of o
flows, or other indicators of impairment exist, we may incur a material non-cash charge to earnings relati
our goodwill, which could have a material adverse effect on our results. No impairment charge for good
2016, 2015 or 2014.

Other intangible assets are amortized to expense over their estimated useful lives and are subject to impa
impairment of other intangible assets would be charged to expense. No impairment charges for inta
required in 2016, 2015 or 2014.

Deferred Income Taxes

The provision for deferred income taxes is based on the asset and liability method of accounting for incon
method, deferred income taxes are recognized by applying enacted statutory tax rates to temporary d
amounts reported in the Consolidated Financial Statements and the tax bases of existing assets and liabi
which those temporary differences are expected to be recovered or settled. A valuation allowance is
portion of deferred tax assets that, in management's judgment, is not likely to be realized. A liabili
positions is recorded when it is more likely than not that a tax position will not be sustained upon exa
authorities. The effect on deferred income taxes of a change in tax rates or laws is recognized in income
period that includes the enactment date. The Company has certain tax-planning strategies that were used
a valuation allowance was not necessary on its deferred taxes.

RESULTS OF OPERATIONS

Results of Operations for the Year Ended December 31, 2016 Compared to the Year Ended Decemb

Information by business segment for the periods indicated is as follows (in thousands):

December 31, 2016	Premiums Earned	Net Investment Income	Fee and Other Income	Insurance Benefits, Claims and Reserves	Selling, General and Administrative
Medical Stop-Loss	$ 12,070	$ 1,700	$ 11,844	$ 10,427	$ (1,546)
Specialty Health	154,397	3,272	15,478	81,215	84,730
Group disability, life and DBL	96,190	6,469	876	52,245	33,386
Individual life, annuities and other	47	2,255	454	1,344	3,952
Corporate	-	2,874	51	-	11,652
Sub total	$ 262,704	$ 16,570	$ 28,703	$ 145,231	$ 132,174

Net realized investment gains
Net impairment losses recognized in earnings
Interest expense on debt
Income from continuing operations before income taxes
Income taxes
Income from continuing operations

December 31, 2015	Premiums Earned	Net Investment Income	Fee and Other Income	Insurance Benefits, Claims and Reserves	Selling, General And Administrative
Medical Stop-Loss	$ 209,765	$ 4,374	$ -	$ 153,919	$ 41,392
Specialty Health	171,912	1,813	12,187	93,916	85,506
Group disability, life and DBL	85,953	3,699	662	47,646	26,857
Individual life, annuities and other	11,904	7,146	8,069	11,697	15,544
Corporate	-	205	-	-	8,342
Sub total	$ 479,534	$ 17,237	$ 20,918	$ 307,178	$ 177,641

Gain on sale of subsidiary to joint venture
Net realized investment gains
Net impairment losses recognized in earnings
Interest expense on debt
Income from continuing operations before income taxes
Income taxes
Income from continuing operations

Premiums Earned

In 2016, premiums earned decreased $216.8 million over the comparable period of 2015. The decrease is p
a decrease of $197.7 million in the Stop Loss segment as a result of the sale of Risk Solutions and exi
stop-loss business, further described in Note 3; (ii) a decrease of $17.5 million in the Specialty Health seg
a result of a $26.8 million decrease in premiums from exiting the Major Medical line, a $11.9 million de
indemnity limited benefit line due to the cancellation of a distribution source, and a $1.4 million decrea
medical business premiums due to lower retention, partially offset by premium increases in the short-ter
occupational accident lines of business of $17.7 million, $4.7 million and $1.6 million, respectively, a
volume; and (iii) a decrease of $11.8 million in the Individual life, annuities and other segment as a res
being in run-off; partially offset by

(iv) a $10.2 million increase in earned premiums from the Group disability, life, annuities and DBL segme
increased volume and retention in the LTD and group term life lines and increased volume in DBL busine

Net Investment Income

Total net investment income decreased $0.7 million. The overall annualized investment yields for the ye
31, 2016 and 2015 were 2.7% and 2.8%, respectively. The overall decrease was primarily the resu
investment income on bonds, equities and short-term investments due to cash transferred out in the third
connection with a coinsurance and sale transaction, partially offset by cash received in connection wi
Solutions in the first quarter of 2016. Additionally, income from partnerships was lower in 2016.

The annualized investment yields on bonds, equities and short-term investments were 2.9% and 2.8%
respectively. IHC has approximately $168.7 million in highly rated shorter duration securities earning c
portfolio that is shorter in duration enables us, if we deem prudent, the flexibility to reinvest in mu
longer-term securities, which would significantly increase investment income.

Gain on Sale of Subsidiary to Joint Venture

In the third quarter of 2015, the Company finalized a joint venture with Ebix, Inc. in which IHC sold
administrative subsidiary, IHC Health Solutions (now known as Ebix Health Administration Exchange, In
a 60% ownership interest in Ebix Health Exchange and $6.0 million in cash proceeds. The transaction r
control over the subsidiary (due to a lack of the majority of the voting interest on the Board of Managers
subsidiary was deconsolidated from the Company s financial statements. The Company recognized a net
pre-tax, on the transaction (see Note 7). There was no comparable transaction in 2016.

Net Realized Investment Gains and Net Impairment Losses Recognized in Earnings

The Company had net realized investment gains of $4.5 million in 2016 compared to $3.1 million in 20
include gains and losses from sales of fixed maturities and equity securities available-for-sale and
Decisions to sell securities are based on management's ongoing evaluation of investment opportunities
market conditions, thus creating fluctuations in gains and losses from period to period.

The Company recognized $1.5 million of other-than-temporary impairment losses on certain
available-for-sale during 2016. The Company determined that it is more likely than not that we will sell t
recovery of their amortized cost basis. In 2015, the Company recognized $0.2 million of other-than-tem

losses on equity securities available-for-sale due to the length of time and extent an equity security was be

Fee Income and Other Income

Fee income increased $5.8 million in 2016 compared to 2015 primarily due to increased fee income
Health segment partially offset by decreased fees due to the partial sale and deconsolidation of a previo
third party administrator.

Other income increased $2.0 million. Other income in 2016 consists primarily of fees received in connect
of the Medical Stop Loss business; whereas, 2015 includes a gain recorded in connection with the cedin
and annuity policies and sale of the related infrastructure.

Insurance Benefits, Claims and Reserves

In 2016, insurance benefits, claims and reserves decreased $161.9 million over the comparable period in
is primarily attributable to: (i) a decrease of $143.5 million in the Medical Stop Loss segment primarily as
of Risk Solutions and exit from the medical stop-loss business, further described in Note 3; (ii) a decrease
the Specialty Health segment, primarily due to a decrease of $23.8 million in benefits, claims and rese
run-off of the Major Medical business, a $3.5 million decrease due to lower volume in the fixed indemn
$2.1 million decrease due to lower retention in the international line; partially offset by increases of $5.4
the occupational accident lines due to higher claim activity and increases of $9.3 million and $2.3 millio
medical and pet, respectively, due to the increase in volume of both lines of business; and (iii) a decrease
the Individual life, annuity and other segment, primarily as a result of business in run-off; partially offset
of $4.6 million in benefits, claims and reserves in the group disability, life, annuities and DBL segmen
increased retention and higher loss ratios on LTD lines.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses decreased $45.5 million over the comparable period in
is primarily attributable to: (i) a decrease of $42.9 million in the Medical Stop Loss segment primarily as
of Risk Solutions and exit from the medical stop-loss business, further described in Note 3, (ii) a decreas
the Specialty Health segment primarily due to decreased expenses from the run-off of Major Medical an
fixed indemnity business, partially offset by an increase in expenses due to increased volume in the short
and (iii) a decrease of $11.6 million in the Individual life, annuity and other segment largely du
amortization of deferred acquisition costs as a result of ceding life and annuity policies in 2015 and lowe
from business in run-off; partially offset by (iv) an increase of $6.5 million in the group disability, life,
segment primarily due to increased commission and other expenses in the LTD line as a result of volume;
of $3.3 million in Corporate principally from increased compensation costs in addition to higher audit an
2016.

Income Taxes

The effective tax rate was 29.8% in 2016 compared to 36.2% for the same period in 2015. The lower e
primarily due to the liquidation of a subsidiary in 2016 that resulted in tax benefits of approximately $3.9
for IHC s unrecovered investment in that subsidiary.

Results of Operations for the Year Ended December 31, 2015 Compared to the Year Ended Decemb

Information by business segment for the periods indicated is as follows (in thousands):

December 31, 2015	Premiums Earned	Net Investment Income	Fee and Other Income	Insurance Benefits, Claims and Reserves	Selling, General And Administrative
Medical Stop-Loss	$ 209,765	$ 4,374	$ -	$ 153,919	$ 41,392
Specialty Health	171,912	1,813	12,187	93,916	85,506
Group disability, life and DBL	85,953	3,699	662	47,646	26,857
Individual life, annuities and other	11,904	7,146	8,069	11,697	15,544
Corporate	-	205	-	-	8,342
Sub total	$ 479,534	$ 17,237	$ 20,918	$ 307,178	$ 177,641
Gain on sale of subsidiary to joint venture					
Net realized investment gains					
Net impairment losses recognized in earnings					
Interest expense on debt					
Income from continuing operations before income taxes					
Income taxes					
Income from continuing operations					

December 31, 2014	Premiums Earned	Net Investment Income	Fee and Other Income	Insurance Benefits, Claims and Reserves	Selling, General And Administrative
Medical Stop-Loss	$ 176,941	$ 4,249	$ -	$ 122,469	$ 38,971
Specialty Health	218,949	2,202	17,950	146,431	94,657
Group disability, life and DBL	64,260	3,156	225	37,537	17,936
Individual life, annuities and other	18,898	11,830	3,823	19,598	21,571
Corporate	-	177	-	-	8,252
Sub total	$ 479,048	$ 21,614	$ 21,998	$ 326,035	$ 181,387

Net realized investment gains
Interest expense on debt
Income from continuing operations before income taxes
Income taxes
Income from continuing operations

Premiums Earned

In 2015, premiums earned increased $0.5 million over the comparable period of 2014. The increase is pri
$32.8 million increase in earned premiums from the Medical Stop-Loss segment as a result of higher v
million increase in the Group disability, life and DBL segment primarily due to increased volume and rete
term life and LTD lines; partially offset by (iii) a decrease of $47.0 million in the Specialty Health segm
$58.4 million decrease in premiums from exiting Major Medical, partially offset by premium increases in
(primarily short-term medical), fixed indemnity limited benefit products, pet, and occupational accident li
result of higher volume; and (iv) a decrease of $7.0 million in the Individual life, annuities and other seg
result of a reinsurance transaction in the third quarter of 2015 whereby the Company ceded substantially
life and annuity business.

Net Investment Income

Total net investment income decreased $4.4 million. The overall annualized investment yields were 2.8%
and 2014, respectively. The overall decrease was primarily a result of a decrease in investment income on
short-term investments as the Company transferred approximately $208.0 million of cash to an unaff
connection with a coinsurance and sale transaction on July 31, 2015 (see Note 8). The annualized in
bonds, equities and short-term investments were 2.8% and 3.2% in 2015 and 2014, respectively. In ac
decreases in income from partnerships and policy loans for the year ended December 31, 2015. IHC
$150.9 million in highly rated shorter duration securities earning on average 1.2% at December 31, 2015
shorter in duration enables us, if we deem prudent, the flexibility to reinvest in much higher yielding lon
which would significantly increase investment income.

Gain on Sale of Subsidiary to Joint Venture

In the third quarter of 2015, the Company finalized a joint venture with Ebix, Inc. in which IHC sol
administrative subsidiary, IHC Health Solutions (now known as Ebix Health Administration Exchange, In
a 60% ownership interest in Ebix Health Exchange and $6.0 million in cash proceeds. The transaction r
control over the subsidiary (due to a lack of the majority of the voting interest on the Board of Managers
subsidiary was deconsolidated from the Company s financial statements. The Company recognized a net
pre-tax, on the transaction (see Note 7).

Net Realized Investment Gains and Net Impairment Losses Recognized in Earnings

The Company had net realized investment gains of $3.1 million in 2015 compared to $7.7 million in 20
include gains and losses from sales of fixed maturities and equity securities available-for-sale and
Decisions to sell securities are based on management's ongoing evaluation of investment opportunities
market conditions, thus creating fluctuations in gains and losses from period to period.

The Company recognized $0.2 million of other-than-temporary impairment losses on equity securities
during 2015 due to the length of time and extent an equity security was below cost.

Fee Income and Other Income

Fee income decreased $6.5 million in 2015 compared to 2014 primarily as a result of decreased Major Me
Specialty Health segment.

Other income increased in 2015 primarily as a result of a $5.1 million pre-tax gain recorded in connection
and sale agreement. In the third quarter of 2015, Madison National Life and Standard Security Life toget
aforementioned coinsurance and sale agreement to cede substantially all of their individual life and annuit
sell the related infrastructure associated with the administration of such policies (see Note 9). In addi
recorded a $0.5 million gain in 2015 on the acquisition of a controlling interest in GAF (see Note 7)
million in 2015 on the sale of Innovative Medical Risk Management (see Note 7).

Insurance Benefits, Claims and Reserves

In 2015, insurance benefits, claims and reserves decreased $18.8 million over the comparable period in 20
primarily attributable to: (i) a decrease of $52.5 million in the Specialty Health segment, primarily due to
2015 and a decrease of $48.4 million in benefits, claims and reserves related to the run-off of the Major
part by increases in the volume of ancillary products, pet and occupational accident lines of business; (ii)
million in the Individual life, annuities and other segment primarily as a result of a reinsurance transaction
of 2015 whereby the Company ceded substantially all of its ordinary life and annuity business; partial
increase of $31.5 million in benefits, claims and reserves in the Medical Stop-Loss segment as a resu
premium volume and higher loss ratios; and (iv) an increase of $10.1 million in the group disability, life
primarily due to increased volume and retention in the group term life and LTD lines partially offset by lo

Selling, General and Administrative Expenses

Total selling, general and administrative expenses decreased $3.7 million over the comparable period in
is primarily attributable to: (i) a decrease of $9.1 million in the Specialty Health segment largely due t
Major Medical and the deconsolidation of IHC Health Solutions, partially offset by increases in general
of the higher volume of ancillary, pet and occupational accident business, which tends to have a highe
than major medical; and (ii) a decrease of $6.0 million in Individual life, annuity and other segment pri
amortization of deferred costs in correlation with the assumptions of certain ceded life and annuity polic
by; (iii) an increase of $2.4 million in the Medical Stop-Loss segment primarily as a result of higher co
(iv) an increase of $9.0 million in the group disability, life and DBL segment primarily due to increased c
in the group term life and LTD lines as a result of new business and changes in retention levels.

Income Taxes

The effective tax rate for 2015 was 36.2%. In 2014, the Company recorded a $2.5 million credit to federa
result of the reduction in AMIC s valuation allowance related to its deferred tax asset at December 31, 2
transaction, the effective tax rate for 2014 was 40.7%. The lower effective tax rate in 2015 was pri
decrease in the amount of non-deductible expenses as a result of the Affordable Care Act as a percentage
compared to 2014; and (ii) a decrease in state taxes as a percentage of income in 2015; partially offset b
benefits from tax-advantaged securities as a percentage of income in 2015.

LIQUIDITY

Insurance Group

The Insurance Group normally provides cash flow from: (i) operations; (ii) the receipt of scheduled princi
portfolio of fixed maturities; and (iii) earnings on investments. Such cash flow is partially used to
insurance policy benefits. These liabilities represent long-term and short-term obligations.

Corporate

Corporate derives its funds principally from: (i) dividends from the Insurance Group; (ii) manage
subsidiaries; and (iii) investment income from Corporate liquidity. Regulatory constraints historically ha
Company's consolidated liquidity, although state insurance laws have provisions relating to the ability of t
to use cash generated by the Insurance

Group. The Insurance Group declared and paid $18.4 million, $10.6 million and $10.0 million of cash div
in 2016, 2015 and 2014, respectively.

Corporate utilizes cash primarily for the payment of general overhead expenses, common stock divid
stock repurchases.

Cash Flows

Cash and cash equivalents, including discontinued operations, as of December 30, 2016 and December 3
million and $19.2 million, respectively.

For year ended December 31, 2016, operating activities of the Company utilized $31.0 million of cash,
provided by investment activities and $65.0 million of cash was utilized for financing activities. The in
investing is primarily related to the proceeds from the sale of Risk Solutions net of amounts subseq
short-term and available-for-sale securities. Financing activities include $18.1 million for the acquisition
connection with taking AMIC private, $42.9 million utilized for the repayment of debt, $1.6 million
dividends and $3.5 million for treasury share purchases.

The Company has $438.6 million of liabilities for future policy benefits and policy benefits and claim
ultimately pay out of current assets and cash flows from future business and from reinsurance. If th
payments associated with the Company s insurance resources does not coincide with future cash flows,
utilize the cash received from maturities and repayments of its fixed maturity investments. For the year e
2016, cash received from the maturities and other repayments of fixed maturities was $47.3 million.

The Company believes it has sufficient cash to meet its currently anticipated business requirements ov
months including working capital requirements and capital investments.

BALANCE SHEET

The Company had receivables from reinsurers of $440.3 million at December 31, 2016 compared to
December 31, 2015. All of such reinsurance receivables are from highly rated companies or are adeq
allowance for doubtful accounts was necessary at December 31, 2016.

Investments increased primarily as a result of the proceeds from the Risk Solutions Sale and Coinsurance

The Company repaid $42.9 million of debt during 2016.

The $113.2 million increase in IHC s stockholders' equity in 2016 is primarily due to the $123.3 m
attributable to IHC, partially offset by $3.6 million of other comprehensive loss attributable to IHC, $3.5
stock purchases, a $2.2 million decrease related to the purchase of AMIC shares from noncontrolling
million of common stock dividends. Noncontrolling interests in subsidiaries decreased primarily as a res
private in 2016.

Asset Quality and Investment Impairments

The nature and quality of insurance company investments must comply with all applicable statutes and
have been promulgated primarily for the protection of policyholders. Although the Company's gross u
available-for-sale securities totaled $12.3 million at December 31, 2016, more than 99.9% of the Compar
were investment grade and

continue to be rated on average AA. The Company marks all of its available-for-sale securities to
accumulated other comprehensive income or loss. These investments tend to carry less default risk an
interest rates than other types of fixed maturity investments. At December 31, 2016, less than 0.1% (or $
carrying value of fixed maturities was invested in non-investment grade fixed maturities (a commercial m
Investments in such securities have different risks than investment grade securities, including greate
default, and thinner trading markets. The Company does not have any non-performing fixed matur
December 31, 2016.

Certain fixed maturities, primarily municipal obligations, in our investment portfolio are insured by
insurance companies. The insurance, however, does not enhance the credit ratings on these securities. T
summarizes the credit quality of our fixed maturity portfolio, as rated, at December 31, 2016:

Bond Ratings	As Rated
AAA	15.3%
AA	55.7%
A	28.4%
BBB	0.6%
Total Investment Grade	100.0%

Changes in interest rates, credit spreads, and investment quality ratings may cause the market value
investments to fluctuate. The Company does not have the intent to sell nor is it more likely than not tha
have to sell debt securities in unrealized loss positions that are not other-than-temporarily impaired befo
event that the Company s liquidity needs require the sale of fixed maturity securities in unfavorable inte
credit spread environments, the Company may realize investment losses.

The Company reviews its investments regularly and monitors its investments continually for impairme
Note 1(G) (iv) of the Notes to Consolidated Financial Statements in Item 8 of this report. The Compa
million of other-than-temporary impairment losses on certain fixed maturities available-for-sale during 2
determined that it is more likely than not that we will sell the securities before recovery of their amorti
Company recorded $0.2 million of other-than-temporary impairment losses on equity securities availa
2015 due to the length of time and extent an equity security was below cost. At December 31, 2016, ther
with fair values less than 80% of their amortized cost.

The unrealized losses on all available-for-sale securities have been evaluated in accordance with the Con
policy and were determined to be temporary in nature at December 31, 2016. From time to time, as warra
may employ investment strategies to mitigate interest rate and other market exposures. Further deteriorat
of the companies backing the securities, further deterioration in the condition of the financial se
continuation of the current imbalances in liquidity that exist in the marketplace, a continuation or wors

economic recession, or additional declines in real estate values may further affect the fair value of tl
increase the potential that certain unrealized losses be designated as other-than-temporary in future period
may incur additional write-downs.

Goodwill

Goodwill represents the excess of the amount we paid to acquire subsidiaries and other businesses over th
net assets at the date of acquisition. The Company tests goodwill for impairment at least annually and bet
an event or circumstances change that would more likely than not reduce the fair value of a reporting uni
amount. Goodwill is considered impaired when the carrying amount of goodwill exceeds its implied fair v

All goodwill carrying amounts are evaluated for impairment at the reporting unit level which is equival
segment. Goodwill was allocated to each reporting unit or operating segment at the time of acquisition
2016, total goodwill was $41.6 million, all of which was attributable to the Specialty Health segment.

Based upon the goodwill impairment testing performed at December 31, 2016, the fair value of each repo
its carrying value and no impairment charge was required. Fair value exceeded carrying value by mo
Specialty Health segment.

In determining the fair value of each reporting unit, we used an income approach, applying a discounted
that included a residual value. Based on historical experience, we made assumptions as to: (i) expected
and future economic conditions, (ii) projected operating earnings, (iii) projected new and renewal busine
margins on such business, and (iv) a discount rate that incorporated an appropriate risk level for the report

Management uses a significant amount of judgment in estimating the fair value of the Company s repo
assumptions underlying the fair value process are subject to uncertainty and change. The following rep
potential risks that could impact these assumptions and the related expected future cash flows: (i) increas
an adverse change in the insurance industry and overall business climate; (iii) changes in state and feder
rating agency downgrades of our insurance companies; and (v) a sustained and significant decrease in
market capitalization. Our market capitalization as of December 31, 2016 was below the sum of our
values. As a result, the Company assessed the factors contributing to the performance of IHC stock in 20
that the market capitalization does not represent the fair value of the Company. The Company noted sever
led to a difference between the market capitalization and the fair value of the Company, including (i) the
thinly traded and a sale of even a small number of shares can have a large percentage impact on the pri
Geneve Corporation and insiders own approximately 58% of the outstanding shares, which has had a
impact on the number of shares available for sale and therefore the trading potential of IHC stock, and
coverage of the Company. If we experience a sustained decline in our results of operations and cash flows
of impairment exist, we may incur a material non-cash charge to earnings relating to impairment of ou
could have a material adverse effect on our results.

Liability for Policy Benefits and Claims

The following table summarizes the prior year net favorable amount of policy benefits and claims incurre
to the year in which it relates, together with the opening balances of the corresponding liability for policy
(net of reinsurance recoverable) (in thousands):

	Policy Benefits and Claims at January 1, 2016	Prior Year Amount Incurred in 2
2015	$ 126,447	$
2014	15,212	
2013	14,562	
2012 and Prior	23,860	
Total	$ 180,081	$

The following sections describe, for each segment, the unfavorable (favorable) development in the
benefits and claims experienced in 2016, together with the key assumptions and changes therein af
estimates.

Specialty Health

The Specialty Health segment had a net favorable development of $1.4 million related to prior years. Fav
due to the run-off of the Major Medical business was $4.6 million and $1.0 million was due to the STM
by unfavorable development of $4.5 million in our occupational accident business. The Company has sinc
agency that produced this occupational accident business and exited this line.

Group Disability

The Group Disability segment had a net favorable development of $2.7 million primarily related to b
experience related to the 2015 group disability business.

Due to the long-term nature of LTD, in establishing the liability for policy benefits and claims, the Co
estimates for case reserves, IBNR, and reserves for Loss Adjustment Expenses (LAE). Case reserv
actuarial present value of the liability for future benefits to be paid on claims incurred as of the balance sh
reserve is established based upon historical trends of existing incurred claims that were reported after the
The LAE reserve is calculated based on an actuarial expense study. Since the LTD block of policies is re
the potential for very large claims on individual policies, results can vary from year to year. If a small n

with large claim reserves were to recover or several very large claims were incurred, the results could di
policy benefits and claims estimates from year to year. With respect to DBL, the liability for policy ben
the most recent quarter of earned premium is established using a Net Loss Ratio methodology. The
determined by applying the completed prior four quarters of historical Net Loss Ratios to the last quarter
Policy benefits and claims associated with the premium earned prior to the last quarter are established
factor methodology. The completion factors are developed using the historical payment patterns for DBL.

Medical Stop-Loss

The Company experienced a net unfavorable development of $0.3 million related to the Medical Stop-
Medical Stop-Loss business is currently in run-off.

Individual Life, Annuities and Other

All other lines, primarily life and other individual health products, experienced favorable developm
primarily due to a change in reserve factors and release of IBNR reserves.

CAPITAL RESOURCES

Due to its strong capital ratios, broad licensing and excellent asset quality and credit-worthiness, th
remains well positioned to increase or diversify its current activities. It is anticipated that future ac
expansion of operations will be funded internally from existing capital and surplus and parent company li
additional funds are required, it is expected that they would be borrowed or raised in the public or privat
the extent determined to be necessary or desirable. In the fourth quarter of 2016, the Company redeemed
its junior subordinated debt securities and as a result the Company has no long-term debt at December 31
of the Notes to Consolidated Financial Statements in Item 8 of this report.

IHC enters into a variety of contractual obligations with third parties in the ordinary course of its op
liabilities for insurance reserves, funds on deposit, debt and operating lease obligations. However, IHC d
its cash flow requirements can be fully assessed based solely upon an analysis of these obligations. Fu
whether they are contractual obligations or not, also will vary based upon IHC s future needs. Althoug
fixed, others depend on future events.

The chart below reflects the maturity distribution of IHC s contractual obligations at December 31, 2016

	Leases	Insurance Policy Benefits	Funds on Deposit	Total
2016	$ 2,168	$ 154,385	$ 14,962	$ 171,515
2017	1,939	37,266	14,463	53,668
2018	957	29,737	13,897	44,591
2019	739	26,512	13,469	40,720
2020	372	24,673	12,849	37,894
2021 and Thereafter	63	141,282	76,109	217,454
Totals	$ 6,238	$ 413,855	$ 145,749	$ 565,842

OUTLOOK

For 2017, the Company anticipates that it will:

.

Continue to experience an overall decrease in premiums and earnings due to exiting the medical stop-loss
of the Risk Solutions Sale and Coinsurance Transaction.

.

Continue to show significant increases in specialty health premiums (including hospital indemnity, gro
and group gap and other supplemental health products, such as dental, accident medical, gap and critica
although we may see a decrease in short term medical as a result of a regulation expected to take effect Ap

.

Continue to increase IHC s emphasis on lead generation for its direct-to-consumer and career advisor di
as well as experiencing the accompanying start-up costs of expanding our controlled sales through our
model and transactional websites as a result of the acquisition of PetPlace.com, IHC s ownership of He
AspiraAmas and its investment in HealthInsurance.org.

.

Expand sales of our specialty health products as a result of investments in two call center agencies and a
company.

.

Diversify the distribution and administration of our pet insurance as we bring on new relationships in 20
will be a reduction in premium as our current distributor has added an additional carrier.

.

Experience continued increases in premiums from group long-term and short-term disability driven b
amounts and a full year of premiums generated by a relatively new distribution partnership.

.

Continue to evaluate strategic transactions. We plan to continue to deploy some of our cash to make add
and acquisitions that will continue to bolster existing or new lines of business.

.

Continue to focus on administrative efficiencies, including reducing operating losses at Ebix Health Excha

On March 31, 2016, IHC and a subsidiary of AMIC sold the stock of Risk Solutions. In addition, unde
sale agreement, all of the in-force stop-loss business of Standard Security Life and Independence America
Solutions was co-insured by Westport as of January 1, 2016. The aggregate purchase price was $152
subject to adjustments and settlements. This transaction resulted in a gain of $100.8 million, net of
attributable to noncontrolling interests. As a result, IHC is highly liquid and has excess capital; ho
Stop-Loss line of business is in run-off, which will have a negative impact on future earnings.

Subject to making additional repurchases, acquisitions and investments, the Company will remain highly
result of the continuing shorter duration of the portfolio. IHC has approximately $168.7 million in h
maturity securities at December 31, 2016 earning on average 1.5%; our portfolio as a whole is rated, or
low duration of our portfolio enables us, if we deem prudent, the flexibility to reinvest in much higher y
securities, which would significantly increase investment income in the future. A low duration portfoli
mitigates the adverse impact of potential inflation. IHC will continue to monitor the financial m
accordingly.

Our results depend on the adequacy of our product pricing, our underwriting, the accuracy of our reser
returns on our invested assets, and our ability to manage expenses. We will also need to be diligent v
review scrutiny to effect timely rate changes and will need to stay focused on the management of med
medical trend levels cause margin pressures. Factors affecting these items, as well as unemployment a
markets, may have a material adverse effect on our results of operations and financial condition.

ITEM 7A.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT

MARKET RISK

The Company manages interest rate risk by seeking to maintain an investment portfolio with a duration a
falls within the band of the duration and average life of the applicable liabilities. Options may be util
duration and average life of such assets.

The following summarizes the estimated pre-tax change in fair value (based upon hypothetical paralle
Treasury yield curve) of the fixed income portfolio (excluding redeemable preferred stocks) assuming im
interest rates at specified levels at December 31, 2016:

	Change in Interest Rates			
	200 basis point rise	**100 basis point rise**	**Base scenario**	**100 basis point decline**
Corporate securities	$ 171,873	$ 179,343	$ 187,695	$ 196,667
CMO s	5,387	5,638	5,913	6,212
U.S. Government obligations	41,229	42,152	43,109	44,101
Agency MBSs	22	23	23	23
GSEs	9,230	9,543	9,880	10,243
State & Political Subdivisions	164,039	174,313	186,811	199,664
Foreign governments	4,500	4,718	4,954	5,211
Total estimated fair value	$ 396,280	$ 415,730	$ 438,385	$ 462,121
Estimated change in value	$ (42,105)	$ (22,655)		$ 23,736

The Company monitors its investment portfolio on a continuous basis and believes that the liquidity of th
will not be adversely affected by its current investments. This monitoring includes the maintenance o
model that matches current insurance liability cash flows with current investment cash flows. This is ac

creating an insurance model of the Company's in-force policies using current assumptions on mortality, la
Then, current investments are assigned to specific insurance blocks in the model using appropriate prepay
future reinvestment patterns.

The results of the model specify whether the investments and their related cash flows can support
insurance cash flows. Additionally, various scenarios are developed changing interest rates and other re
These scenarios help evaluate the market risk due to changing interest rates in relation to the busines
Group.

In the Company's analysis of the asset-liability model, a 100 to 200 basis point change in interest rate
Group's liabilities would not be expected to have a material adverse effect on the Company. With respec
interest rates were to increase, the risk to the Company is that policies would be surrendered and asset
sold. This is not a material exposure to the Company since a large portion of the Insurance Group's intere
are burial policies that are not subject to the typical surrender patterns of other interest sensitive policie
Insurance Group's universal life and annuity policies were acquired from liquidated companies which te
surrender rates than such policies of continuing companies. Additionally, there are charges to help offse
surrendered. If interest rates were to decrease substantially, the

risk to the Company is that some of its investment assets would be subject to early redemption. Thi
exposure because the Company would have additional unrealized gains in its investment portfolio to he
reduction of investment income. With respect to its investments, the Company employs (from time to
investment strategies to mitigate interest rate and other market exposures.

ITEM 8.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Consolidated Financial Statements and Schedules on page 80.

ITEM 9.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON

ACCOUNTING AND FINANCIAL DISCLOSURE

On October 6, 2016, the registrant filed a Form 8-K stating that the registrant has engaged RSM US L
accountant to replace its former principal accountant KPMG LLP, effective September 13, 2016. The
accountant was approved by the Audit Committee of the registrant. Neither of the reports of the former pr
on the financial statements for the periods ending December 31, 2015 and December 21, 2014, respective
subsequent interim periods ending September 13, 2016, contained an adverse opinion nor disclaimer o
either qualified or modified as to uncertainty, audit scope, or accounting principles.

During the audited period, there were no disagreements with the former principal accountant on any m
principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement
the satisfaction of the former accountant, would have in connection with this report.

ITEM 9A.

CONTROLS AND PROCEDURES

Management s Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal con
reporting as such term is defined in the Securities Exchange Act of 1934 (the Exchange Act) Rule 13a
internal controls are designed to provide reasonable assurance as to the reliability of its financial
preparation of financial statements for external purposes in accordance with U.S. generally accepted accou

Due to inherent limitations, internal control over financial reporting may not prevent or detect m
projections of any evaluation of effectiveness to future periods are subject to the risk that controls may
because of changes in conditions, or that the degree of compliance with the policies or procedures may de

As previously disclosed in Item 9A of our Form 10-K for the year ended December 31, 2015, managem
there were material weaknesses in internal control over financial reporting for income taxes. Managem
we did not maintain effective controls over the accounting for and disclosures of technical accounting m
to income taxes.

A material weakness is a deficiency or combination of deficiencies in internal control over financial repor
is a reasonable possibility that a material misstatement of the annual or interim financial statements will
detected on a timely basis.

The Company has made significant progress in remediating its material weaknesses in internal con
reporting for income taxes, specifically (i) strengthening existing tax staff with consulting tax acc
Additionally, financial reporting staff attended training related to the design and operation of tax related
and corresponding internal controls; (ii)

implementing enhanced risk assessment processes over accounting for income taxes, with a focus on t
disclosure for unusual and complex transactions; and (iii) improving existing or establishing new proces
measure and record transactions related to tax accounting to enhance the effectiveness of the design and
controls.

While the Company has made significant progress in implementing the remediation efforts described
actions are fully implemented and the operational effectiveness of related internal controls validated t
material weaknesses described above will continue to exist. Management anticipates that all remediation
implemented and validated by the fourth quarter of 2017.

Evaluation of Disclosure Controls and Procedures

At the end of the period covered by this Annual Report on Form 10-K, we carried out an evaluation, un
and with the participation of management, including the Chief Executive Office (CEO) and the Ch
(CFO), of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) an
Exchange Act). Based upon that evaluation, and the still unresolved material weaknesses in our int
financial reporting for income taxes, as discussed in Management s Report on Internal Control over Fi
CEO and CFO have concluded our disclosure controls and procedures (as defined in Rule 13a-15(e) under
as amended) were not effective.

Changes in Internal Control Over Financial Reporting

Except as noted above, our Management, including the CEO and CFO, identified no change in our in
financial reporting that occurred during our fiscal quarter ended December 31, 2016, that has mater
reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B.

<u>OTHER INFORMATION</u>

In November 2016, certain executives of IHC s subsidiary, IHC Specialty Benefits, Inc. (Specialty B
contributors to the success of Specialty Benefits, were granted incentive sale bonuses. The bonuses are
such executives to continue to provide services to Specialty Benefits, and incentivize them to enhance
value and assure the present and future dedication to maximizing value in the event one of the follo
involving one or more of Specialty Benefits, its parent IHC SB Holdings ("Holdings"), and its affiliate IH
("Carrier Solutions") occur: (i) sale of more than 50% of the equity, (ii) a merger, (iii) of a sale of all or
the assets, and (iv) any other transaction the intent of which may reasonably and equitably be construe
substantially equivalent to the foregoing (any of the foregoing, a "Sale"). The only executive officer of IH
is David T. Kettig, Chief Operating Officer and Executive Vice President of IHC, and Chief Executive Of
of Specialty Benefits. IHC s Compensation Committee ratified the grant to Mr. Kettig of an incentive bo

the net sale price pursuant to a Sale Bonus Agreement, dated November 7, 2016, by and between Indep
Holdings Corp. (IAHC), a subsidiary of IHC and indirect parent of Specialty Benefits, and Mr. Kettig
10-K as Exhibit 10.8 (the Sale Bonus Agreement). The bonus will be paid in a lump sum with
consummation of the Sale, and is payable only if Mr. Kettig is still employed by Specialty Benefits
Agreement terminates on the earlier of (i) the termination of Mr. Kettig by Specialty Benefits or the last d
with Specialty Benefits or Carrier Solutions, or (ii) the five-year anniversary the Sale Bonus Agreement;
that such term shall be automatically extended for successive two (2) year periods unless IAHC shall, at le
prior to the expiration of the then-applicable term, have given written notice to Mr. Kettig that the term
Agreement shall not be so extended, in which case no such extension shall occur.

PART III

ITEM 10.

DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE

GOVERNANCE

The names of our executive officers and directors and their age, title, and biography as of April 30, 2017 a

Name	Age	Title
Larry R. Graber	67	Chief Life and Annuity Actuary, Senior Vice President and Direc
Teresa A. Herbert	55	Chief Financial Officer, Senior Vice President and Director
David T. Kettig	58	Chief Operating Officer, Executive Vice President and Director
Allan C. Kirkman	73	Director
John L. Lahey	70	Director
Steven B. Lapin	71	Director
Ronald I. Simon	78	Director
James G. Tatum	75	Director
Roy T.K. Thung	73	Chief Executive Officer, President and Chairman

Directors are elected annually and hold office until the next annual meeting of the stockholders of the
their successors are elected. Officers are elected annually and serve at the discretion of the Board of Direct

Larry R. Graber

Since March 2012, Chief Life and Annuity Actuary and Senior Vice President of IHC; for more than five
Senior Vice President Life and Annuities of IHC; for more than the past five years, a director and P
National Life Insurance Company, Inc., a wholly owned subsidiary of IHC (Madison National Life);
five years, a director and President of Southern Life and Health Insurance Company, an insurance comp
offices in Homewood, Alabama and a wholly owned subsidiary of Geneve Holdings, Inc., a private c
company that is the controlling stockholder of IHC (GHI); for more than the past five years, a directo
Life Insurance Company of New York, a wholly owned subsidiary of IHC(Standard Security Life).

The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Graber sho
IHC s directors are his extensive experience in many facets of the insurance business, particularly relati
and administration of blocks of life insurance.

Teresa A. Herbert

Since November 2016, a director of IHC; for more than the past five years, Chief Financial Officer and Se
of IHC; for more than the past five years, Vice President of Geneve Corporation (Geneve), a private c
GHI; for more than the past five years until August 2016, Chief Financial Officer and Senior Vice Pres
Independence Corp., formerly a public company traded on Nasdaq and a majority-owned subsidiary of
was merged out of existence on August 31, 2016 (AMIC); from March 2011 to August 2016, a director

The experiences, qualifications, attributes or skills that led the Board to conclude that Ms. Herbert sho
IHC s directors are her extensive financial and accounting experience and her

experience with companies with complex organizational structures, intercompany transactions, diverse an
transactions, the insurance industry, and public companies.

David T. Kettig

Since April 1, 2016, Executive Vice President of IHC; since February 2015, Chief Operating Officer a
Counsel of IHC; from April 2009 to April 1, 2016, Chief Operating Officer and Senior Vice President of
2013 to August 2016, President of AMIC; from April 2009 to March 2012, Chief Operating Office
President of AMIC; from March 2011 to August 2016, a director of AMIC; for more than the past five ye
director of Independence American Insurance Company, an indirect wholly owned subsidiary of IHC (
2012 to March 2016, President of Standard Security Life; since April 2016, Chairman and Chief Ex
Standard Security Life; since May 2012, a director of Standard Security Life.

The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Kettig should se
directors are his extensive experience in diverse, complex businesses and transactions, corporate govern
risk management, and insurance.

Allan C. Kirkman

For more than the past five years, a member of each of the Audit Committee and the Compensation Con
Chairman of the Compensation Committee of IHC; for more than five years prior to his retiremen
Executive Vice President of Mellon Bank, N.A., a national bank.

The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Kirkman sho
IHC s directors are his extensive experience in diverse, complex businesses and transactions, including
companies in the financial services fields.

John L. Lahey

For more than the past five years, a member of the Audit Committee and the Compensation Committee o
1987, President of Quinnipiac University, a private university located in Hamden, Connecticut; since 199
Board of Trustees of Yale-New Haven Hospital, a hospital located in New Haven, Connecticut; between 1
2015, a director of the UIL Holdings Corporation, a publicly-held utility holding company with princi
Haven, Connecticut; since December 2015, a director, Audit and Compliance Committee member, and Ex
member of Avangrid, Inc., a diversified energy and utility company with principal offices in New Haven,

the successor-in-interest by merger to UIL Holdings Corporation; since 2004, a director of Allianc
Therapy, the only national non-profit organization committed exclusively to cancer gene and cell thera
June 2006, a director of Standard Security Life Insurance. Mr. Lahey also serves as a director and Chairm
the New York City St. Patrick s Day Parade, Inc.

The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Lahey should se
directors are his extensive executive experience in major organizations and valuable expertise in manage
governance.

Steven B. Lapin

For more than the past five years, Vice Chairman of the Board of Directors of IHC; for more than t
Chairman, Chief Executive Officer, President and a director of GHI; for more than the past five years
Executive Officer, President and a director of Geneve; for more than five

years prior to August 2016, a director of AMIC; for more than the past five years, a director of Madison more than the past five years, a director of Standard Security Life.

The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Lapin should se directors are his extensive experience in diverse, complex businesses and transactions, corporate go companies, risk management and insurance.

Ronald I. Simon

Since November 2016, a director of IHC; from August 1997 until April 1999, Chairman of the Board of 1999 to February 2001, Vice Chairman of the Board of AMIC; from February 2001 through May 2001, A the Board, Chief Executive Officer and Chief Financial Officer of AMIC; from January 2003 to August the Compensation Committee of AMIC; from January 2005 to August 2016, a member of the Audit Co from 2011 to August 2016, Chairman of the Audit Committee of AMIC; from May 1997 through April 20 President and Chief Financial Officer, and from September 1999 to September 2001, a director, of Wester which owned and developed water rights in the western United States; from May 1999 through July 2002, was acquired by Schering, AG, a director of Collateral Therapeutics, Inc., a developer of non-surg procedures for the treatment of cardiovascular diseases; from January 2006 through January 2009, a d Therapeutics, a company formed to acquire and further develop the procedures originally develo Therapeutics; from August 2001 through June 2002, Chief Financial Officer of Wingcast, Inc., a joint ven Company and Qualcomm, Inc.; from April 2003 through April 2005, director of BDI Investment Co regulated investment company; from March 2003 through February 2006, a director of WFS Financi nation s largest independent automobile finance companies; since August 2007, a director and meml Compensation Committees, and Chairman of the Corporate Governance Committee, of Ellington Financia finance company specializing in acquiring and managing mortgage-related assets; since May 2013, a direc the Audit and Compensation Committees, and Chairman of the Corporate Governance Committee, of El Mortgage REIT.

The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Simon should se directors are his extensive experience in finance and senior management, and in growing successful entrepreneurial company cultures.

James G. Tatum

Since June 2002, Chairman of the Audit Committee of IHC; for more than the past five years, member of Committee of IHC; for more than the past five years, a director of Standard Security Life; for more than sole proprietor of J. Tatum Capital, LLC, a registered investment advisor, located in Birmingham, Alaban primarily for individual and trust clients; Chartered Financial Analyst for more than twenty-five years until August 2016, a director of AMIC; from March 2011 until August 2016, a member of the Audit Comm

The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Tatum should se
directors are his extensive executive experience in major organizations and valuable expertise with fi
management and oversight.

Roy T.K. Thung

Since March 2011, Chief Executive Officer, President and Chairman of the Board of IHC; since Ja
Executive Officer of IHC; since July 1999, President of IHC; for more than five years prior to July 19
President and Chief Financial Officer of IHC; for more than the

past five years, Executive Vice President of Geneve; from July 2002 until August 2016, a director of AMI
2002 until March 2012, Chief Executive Officer and President of AMIC; from March 2012 until A
Executive Officer of AMIC; for more than the past five years prior to April 2016, Chief Executive Offic
the Board of Standard Security Life; for more than the past five years, director of Standard Security Life
past five years, Chairman of the Board of Madison National Life.

The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Thung should se
directors are his extensive experience in diverse, complex businesses and transactions, including involvin
in the insurance industry, and executive and management experience.

Family Relationships

None.

Corporate Governance Documents

In furtherance of its longstanding goals of providing effective governance of IHC s business and affa
benefit of stockholders and promoting a culture and reputation of the highest ethics, integrity and reliab
adopted:

.

a Code of Business Ethics that applies to IHC s Chief Executive Officer and President, Chief Oper
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 subsid
(the Code of Conduct);

.

Corporate Governance Guidelines (Guidelines) to advance the functioning of the Board and its comm
Board s expectations as to how it should perform its functions; and

.

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

The Code of Ethics, Code of Conduct, Guidelines and Charters can be found on IHC s website at www.ih
also available in print to any stockholder who requests them. The information on IHC s website, howeve
by reference in, and does not form part of, this annual report. The Board does not anticipate modifying th
the Code of Conduct, or granting any waivers to either, but were any such waiver or modification to occur
be disclosed on IHC s website.

Audit Committee Financial Expert

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

Nomination of Director Candidates

In light of GHI s majority voting power, the Board has determined that the Board, rather than a nominat
most appropriate body to identify director candidates and select nominees for presentation at the
stockholders. In making nominations, the Board seeks candidates with outstanding business experience v
experience to the management and

direction of IHC. The minimum criteria employed by the Board in its selection of candidates are set fort
along with certain other factors that inform the selection process. All directors serving on the Boar
consideration of director nominees. Furthermore, in light of GHI s voting power, the Board has deter
with respect to consideration of candidates recommended by security holders other than GHI s would be

Committees of the Board of Directors

Committees

The Board has standing Audit and Compensation Committees. Committee memberships are as follows:

Audit Committee	**Compensation Committee**
Mr. James G. Tatum (Chairman)	Mr. Allan C. Kirkman (Chairman)
Mr. Allan C. Kirkman	Mr. John L. Lahey
Mr. John L. Lahey	Mr. James G. Tatum

Audit Committee. The principal functions of the Audit Committee are to: (i) select an independen
accounting firm; (ii) review and approve management s plan for engaging IHC s independent registe
firm during the year to perform non-audit services and consider what effect these services will have on t
IHC s independent registered public accounting firm; (iii) review IHC s annual financial statements and
which require approval by the Board; (iv) oversee the integrity of IHC s financial statements, IHC s
controls and internal controls over financial reporting and IHC s compliance with legal and regulato
review the scope of audit plans of IHC s internal audit function and independent registered public acc
results of their audits; and (vi) evaluate the performance of IHC s internal audit function and independ
accounting firm.

Each member of the Audit Committee meets the independence requirements of the NYSE and applic
regulations. The Audit Committee and the Board have determined that each member of the Audit Com
literate and that Mr. Tatum qualifies as an audit committee financial expert, as such term is define
Regulation S-K promulgated by the SEC.

Compensation Committee. The Compensation Committee assists the Board in fulfilling its responsibil
compensation matters, is responsible for determining or ratifying (as the case may be) the compensatio
officers, and administers IHC s 2016 Stock Incentive Plan and 2006 Stock Incentive Plan. The Compens
sole authority to determine the compensation for IHC s Chief Executive Officer and President.

Involvement in Certain Legal Proceedings

Our directors and executive officers have not been involved in any of the following events during the past

1.

any bankruptcy petition filed by or against such person or any business of which such person was a
executive officer either at the time of the bankruptcy or within two years prior to that time;

2.

any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding tr
other minor offenses);

3.

being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any
jurisdiction, permanently or temporarily enjoining him or her from or otherwise limiting his or her invol
of business, securities or banking activities or to be associated with any person practicing in banking or se

4.

being found by a court of competent jurisdiction in a civil action, the SEC or the Commodity Futures Trad
have violated a federal or state securities or commodities law, and the judgment has not been rever
vacated;

5.

being subject of, or a party to, any federal or state judicial or administrative order, judgment decr
subsequently reversed, suspended or vacated, relating to an alleged violation of any federal or state securit
law or regulation, any law or regulation respecting financial institutions or insurance companies, or an
prohibiting mail or wire fraud or fraud in connection with any business entity; or

6.

being subject of or party to any sanction or order, not subsequently reversed, suspended, or vacated, of
organization, any registered entity or any equivalent exchange, association, entity or organization th
authority over its members or persons associated with a member.

ITEM 11.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Say-on- Pay and Say-on-Frequency

The Compensation Committee considered the voting results of the advisory, non-binding say-on-pa
Annual Meeting of Stockholders in connection with the discharge of its responsibilities. IHC s stockho
support of the compensation for our CEO, CFO and the three other most-highly compensated officers
with a substantial majority of the votes cast voting to approve the compensation of IHC s named executi
in IHC s 2014 proxy statement. Following the Compensation Committee s review and consideratio
support, as well as the other factors discussed in more detail below, we determined to make no changes
executive compensation. The next advisory, non-binding say-on-pay vote will occur at IHC s 20
Stockholders.

At IHC s 2011 Annual Meeting of Stockholders, a majority of IHC s stockholders voted for say-on-
every three years. In light of this voting result on the frequency of say-on-pay proposals, the Board
present say-on-pay proposals every three years until the next required vote on the frequency of stockh
executive officer compensation. Accordingly, we held a say on frequency of say-on-pay vote at our 20
Stockholders. The next stockholder vote on the frequency of stockholder votes on named executive of
will occur at IHC s 2017 Annual Meeting of Stockholders.

Compensation Objectives

Compensation of each of IHC s executive officers is intended to be based on performance of IHC and
Compensation Committee has responsibility for establishing and reviewing the compensation of I
reviewing the compensation for all of IHC s executive officers.

In establishing executive officer compensation, the following are among the Compensation Committee s

.

attract and retain individuals of superior ability and managerial talent;

.

ensure compensation is aligned with IHC s corporate strategies, business objectives and the long-ter
stockholders; and

.

enhance incentives to increase IHC s stock price and maximize stockholder value by providin
compensation in IHC equity and equity-related instruments.

IHC s overall compensation program is structured to attract, motivate and retain highly qualified executi
them competitively, consistent with IHC s success and their contributions to such success. To this end, b
are designed to reward annual achievements and to be commensurate with an executive s scope
demonstrated leadership abilities and management experience and effectiveness. Other elements of com
motivating and challenging IHC s executive officers to achieve superior, long-term, sustained results.

Implementation of Objectives

Salaries

The salary of an IHC executive officer is based on his or her level of responsibility, experience and quali
performance. Adjustments to salary are made in response to changes in any of the foregoing factors and
conditions. Executive officer salaries are typically reviewed by the Compensation Committee every tw
Compensation Committee has sole authority to determine the compensation for IHC s Chief Executive
Compensation Committee nor IHC has retained a compensation consultant or similar organization for assi
or setting executive officer salaries or other compensation.

Cash Bonuses

Following the close of each fiscal year, IHC s Chief Executive Officer and President makes dete
communicated to the Compensation Committee as to cash bonuses for IHC s executive officers (excludi
an analysis of: (i) any contractual commitments set forth in an employment agreement; (ii) IHC s perf
ended versus IHC s plan for such year; and (iii) a subjective evaluation of a variety of factors as to ea
individual contribution during the year. The Compensation Committee then convenes outside the pre
Executive Officer and President and, following appropriate deliberation, approves or ratifies bonuses fo
officers.

The salaries paid and annual bonuses awarded to IHC s named executive officers in respect of 201
Summary Compensation Table.

Equity Awards

IHC s 2006 Stock Incentive Plan (the 2006 Plan) provided the opportunity for the Compensation Co
incentive awards to, among others, IHC s executive officers. While there are outstanding grants under
expired and no new grants may be made under it. The Board of Directors approved a 2016 Stock Incen
Plan) on substantially the same terms as the 2006 Plan and submitted it for stockholder approval at the 2
of

Stockholders. A majority of the shares present at the meeting in person or by proxy approved the 2016 P
describes the 2016 Plan.

The types of equity awards that may be granted under the 2016 Plan are: (i) options; (ii) share apprecia
(iii) restricted shares, restricted share units (which are shares granted after certain vesting condi
unrestricted shares; (iv) deferred share units; and (v) performance awards. The Compensation Commi
type and amount of the award with reference to factors that include the present value of the award relati
officer s salary and anticipated cash bonus, the anticipated importance of the executive s position to IH
the size of the executive s total compensation relative both to other executives within IHC and to compen
companies.

Within the limitations of the 2016 Plan, the Compensation Committee may modify an award to: (i) ac
which an option or SAR may be exercised (including, without limitation, permitting an option or SAR to
without regard to the installment or vesting provisions or whether the option or SAR is at the time exercisa
the vesting of any award; (iii) extend or renew outstanding awards; or (iv) accept the cancellation of o
However, the Compensation Committee may not, without stockholder approval, cancel an outstan
underwater for the purpose of reissuing the option to a grantee within six months thereafter at a lowe
granting a replacement award of a different type. Notwithstanding the foregoing provision, no m
outstanding award can materially and adversely affect a grantee s rights thereunder, unless the gran
consent, there is an express 2016 Plan provision permitting the Compensation Committee to act unila
modification, or the Compensation Committee reasonably concludes that the modification is not mater
grantee.

Options

Incentive stock options (ISOs) and non-incentive stock options (Non-ISOs) may be granted under t
discretion of the Compensation Committee, any option may be exercisable, in whole or in part, immedia
thereof, or only after the occurrence of a specified event, or only in installments, which installments may
any option may not exceed ten years from the grant date; *provided, however,* that in the case of an
employee of IHC or any of its affiliates who owns stock representing more than ten percent (10%) of the
grant date (Employee Ten Percent Holder), the term of the ISO shall not exceed five years from the gr
price of an option is determined by the Compensation Committee in its sole discretion; *provided, howev*
granted to an Employee Ten Percent Holder (as defined in the Plan), the per share exercise price shall no
of the closing price per share on the NYSE on the grant date (Fair Market Value); and *provided fu*
options, the per share exercise price shall not be less than 100% of the Fair Market Value on the grant dat
the Compensation Committee can allow for a repricing without stockholder approval.

Each of IHC s named executive officers holds stock options, having varying exercise prices and expira
the date granted). Please see the information set forth in the tables below for additional information. I
target level of stock ownership applicable to any of its employees, including the named executive officers.

Share Appreciation Rights (SARs)

The Compensation Committee may grant SARs either concurrently with the grant of an option or
outstanding option (in which case the SAR will extend to all or a portion of the shares covered by the
exercise price is the same as the exercise price of the related option, and the SAR is exercisable at such ti
the extent, that the related option will be exercisable), or independent of any option. The Compensation C
grant SARs that are exercisable only upon or in respect of a change in control (as defined in the 2016
specified event.

The per share exercise price of a SAR cannot be less than 100% of the Fair Market Value, and the S
exercised when the Fair Market Value of the shares underlying the SAR exceeds the exercise price of the
nor the Compensation Committee can allow for a repricing without stockholder approval.

Restricted Shares, Restricted Share Units and Unrestricted Shares

Subject to applicable law, an award of 2,475 restricted shares (or such other amount that the Board m
prospective basis) will be granted to each non-employee director of IHC following each annual
stockholders. One-third of those restricted shares will vest on each of the next three annual anniversa
restricted shares were awarded. In the event that a non-employee director terminates his or her membersh
any reason, the director will immediately forfeit any unvested restricted shares.

At any time within the thirty-day period (or other shorter or longer period that the Compensation Com
sole discretion) in which a grantee who is a member of a select group of management or highly comp
receives an initial award of either restricted shares or restricted share units, the Compensation Commit
grantee to irrevocably elect to defer the receipt of all or a percentage of the shares that would otherwise b
grantee upon the vesting of such award.

Deferred Share Units

The Compensation Committee may permit any director, consultant or member of a select group of ma
compensated employees to irrevocably elect to forego the receipt of cash or other compensation (inclu
lieu thereof to have IHC credit to an internal 2016 Plan account a number of deferred share units having a
equal to the shares and other compensation deferred.

Performance Awards

The Compensation Committee may grant a performance award based on one or more of the followin
affiliate, and/or business unit performance during a specified performance period: (i) gross or net pr
margin; (iii) insured lives; (iv) basic, diluted, or adjusted earnings per share; (v) sales or revenue; (
interest, taxes, and other adjustments (in total or on a per share basis); (vii) basic or adjusted net incom
equity, assets, capital, revenue or similar measure; (ix) economic value added; (x) working capital; (x
return; and (xii) product development, product market share, research, licensing, litigation, human reso
services, mergers, acquisitions, or sales of assets of affiliates or business units. Performance measu
performance period to performance period and from grantee to grantee.

A grantee will be eligible to receive payment in respect of a performance award only to the extent th
measure(s) for such award is achieved, and it is determined that all or some portion of such grantee s av
for the performance period. The Compensation Committee reviews whether, and to what extent, the perfo
for a particular performance period (of not less than one fiscal year) have been achieved and, if so, detern
the performance award to be paid. The Compensation Committee may use negative discretion to decreas
the amount of the award otherwise payable based upon such performance.

At any time prior to the date that is at least six months before the close of a performance period (or short
that the Compensation Committee selects), the Compensation Committee may permit a grantee who is a
group of management or highly compensated employees to irrevocably elect to defer the receipt of all or
cash or shares that would otherwise be transferred to the grantee upon the vesting of a performance award.

Termination, Rescission and Recapture of Awards

Each award under the 2016 Plan granted to an employee is intended to align such employee s long-term
IHC. Therefore, if the employee discloses confidential or proprietary information of IHC, provides servi
of IHC, solicits a non-administrative employee of IHC, or has engaged in activities which conflict w
(including any breaches of fiduciary duty or the duty of loyalty), the employee is acting contrary to IHC
Accordingly, except as otherwise expressly provided in an award agreement, IHC may terminate
unexercised, unexpired, unpaid, or deferred awards, rescind any exercise, payment or delivery pursua
recapture any common stock (whether restricted or unrestricted) or proceeds from the employee s s
pursuant to the award. Notwithstanding the foregoing, IHC may, in its sole and absolute discretion, choo
rescind or recapture upon the occurrence of any of the foregoing events.

Tax Implications

The Patient Protection and Affordable Care Act amended the Tax Code to add Section 162(m)(6), which
that certain health care insurers, including the Company, may deduct for tax years starting after 2012.
limits the tax deduction to $500,000 per individual, and makes no exception for performance-based
commissions. In addition, the limit applies to compensation, including deferred compensation, paid to all
employees and most independent contractors, not just to compensation paid to a narrow group of current
rule became effective for employer tax years beginning after December 31, 2012. Consequently, the Com
$500,000 deduction for compensation paid to each named executive officer.

Section 162(m)(1) of the Tax Code limits the amount a publicly-held corporation may deduct for compe
CEO and certain named executive officers to $1 million per year per executive, makes an exception for
compensation and commissions, and excludes the compensation paid to former covered executives once
covered. Since the Company is subject to Section 162(m)(6), the performance-based exclusion avail
162(m)(1) is not available to the Company.

Compensation Committee Report

The Compensation Committee assists the Board in fulfilling its responsibilities with regard to compensa
responsible for establishing and approving the compensation of IHC s executive officers. The Compens
sole authority to determine the compensation for IHC s Chief Executive Officer. The Compensation Com
and discussed the Compensation Discussion and Analysis section of this Form 10-K with managemen
Executive Officer and our Chief Financial Officer.

Compensation Committee

Mr. Allan C. Kirkman (Chairman)
Mr. John L. Lahey
Mr. James G. Tatum

Compensation Risk Assessment

The Compensation Committee considered the Company's compensation policies and practices and conc
not need to be modified.

Summary Compensation Table

The following table lists the annual compensation for IHC s CEO, CFO and its three other most highly co
executive officers in 2016 for the years 2016, 2015 and 2014.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Comp
Mr. Roy T.K. Thung	2016	461,767	338,800	-	-	3,717,963 (2)	149,722 (3)	19,
Chief Executive Officer,	2015	452,737	338,800	-	-	804,000 (2)	141,247 (3)	19,
President and Chairman	2014	443,885	338,000	-	158,400 (1)	855,000 (2)	133,252 (3)	28,
Ms. Teresa A. Herbert	2016	291,571	623,250(5)	-	51,193 (6)	-	-	21,
Chief Financial Officer	2015	275,821	173,250	-	-	-	-	22,
	2014	270,436	157,500	-	42,570 (1)	-	-	23,
Mr. David T. Kettig	2016	374,946	775,000(5)	-	58,323 (6)	-	-	24,
Chief Operating Officer	2015	352,728	275,000	-	-	-	-	25,
	2014	345,456	250,000	-	47,520 (1)	-	-	19,

Mr. Larry R. Graber	2016	295,873	143,000	-	37,775 (6)	-	-	32,
Chief Life and Annuity	2015	279,091	293,120	-	-	-	-	31,
Actuary	2014	273,619	130,000	-	24,750 (1)	-	-	33,
Mr. Gary J. Balzofiore (10) *Corporate Vice President Accounting and Finance*	2016	264,359	625,000(5)	-	44,540 (6)	-	-	11,
Mr. Michael Kemp	2016(12)	106,184	1,102,209(13)	-	-	-	-	609,
Chief Underwriting	2015	328,079	325,000	-	-	-	-	26,
Officer	2014	321,295	376,680	-	-	-	-	23,

(1)

Represents the modification of fully vested options during 2014 to extend their expiration date. The am
incremental fair value of the modified award as of the modification date.

(2)

Represents strategic and long-term incentive earnings as a result of Mr. Thung s Employment Agreem
year indicated. IHC is party to the Officer Employment Agreement by and between IHC and Mr. Roy
Chief Executive Officer, President and Chairman of the Board of Directors, dated as of May 11, 2011. U
Mr. Thung is entitled to an incentive payment upon the disposition of a strategic asset of IHC equal to
above which the consideration received by IHC for such disposition exceeds the book value of such as
2011. In addition, any termination of the agreement other than for cause triggers an incentive pay
respect of such appreciation in the overall book value of IHC. The initial term of Mr. Thung s employ
two years from the date it was entered into, but, by its terms, will be automatically extended for

successive two-year periods unless one hundred twenty days prior notice of non-renewal is given by IHC
the terms of the agreement, Mr. Thung received cash incentive payments of $3,013,235 and $288,728
respectively, as a result of the Risk Solutions sale and coinsurance transaction with Swiss Re in 201
National Life coinsurance and sale transaction with National Guardian Life Insurance Company in 201
and long-term incentive provisions of Mr. Thung s agreement been triggered on December 31, 2016, M
received $3,075,000.

(3)

Represents the increase (decrease) in the value of Mr. Thung s Retirement Benefits Agreement wi
indicated. Refer to Potential Payments to Named Executive Officers for additional information regarding t

(4)

The amount shown for 2016 represents reimbursements related to the use of an automobile, employer-mat
to Mr. Thung s 401(k) account, and group life insurance premiums paid on Mr. Thung s behalf.

(5)

Includes the transactional bonus paid in connection with the sale of IHC Risk Solutions to Swiss Re.

(6)

Represents the grant date fair value of options granted during 2016 and the incremental fair value of
awards modified during 2016, as of the modification date.

(7)

The amount shown for 2016 represents reimbursements related to the use of an automobile, employer-mat
to Ms. Herbert s 401(k) account, group life insurance premiums paid on Ms. Herbert s behalf, and emp
Ms. Herbert s disability insurance.

(8)

The amount shown for 2016 represents reimbursements related to the use of an automobile, employer-mat
to Mr. Kettig s 401(k) account, group life insurance premiums paid on Mr. Kettig s behalf, and employe
Kettig s disability insurance.

(9)

The amount shown for 2016 represents reimbursements related to the use of an automobile, employer-mat
to Mr. Graber s 401(k) account, and group life insurance premiums paid on Mr. Graber s behalf.

(10)

Mr. Balzofiore was not a named executive officer during 2014 and 2015. Thus, compensation for Mr.
years is not included in the table.

(11)

The amount shown for 2016 represents employer-matching contributions to Mr. Balzofiore s 401(k)
insurance premiums paid on Mr. Balzofiore s behalf, and employer contributions to Mr. Balzofiore s dis

(12)

Mr. Kemp was not serving as an executive officer of IHC at the end of the last completed fiscal year.
served as an executive officer at the end of the last fiscal year, he would have been one of the three most h
executive officers. Therefore, pursuant to Item 402(a)(4) of Regulation S-K promulgated by the SEC, co
Kemp is provided for the full 2016 fiscal year.

(13)

Represents the transactional bonus paid in connection with the sale of IHC Risk Solutions to Swiss Re.

(14)

The amount shown for 2016 represents reimbursements related to the use of an automobile,

employer-matching contributions to Mr. Kemp s 401(k) account, group life insurance premiums paid o
employer contributions to Mr. Kemp s disability insurance, and a severance payment to Mr. Kemp.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth for each named executive officer certain information about unexercised stoc
unvested shares of restricted stock held as of December 31, 2016.

	Option Awards					Nu
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date		Sh U S Tha V
Roy T.K. Thung	176,000	-	$9.09	January 4, 2019		
	16,500	-	$7.11	March 16, 2018		
	82,500	-	$9.99	March 19, 2018		
Teresa A. Herbert	47,300	-	$9.09	January 4, 2019		
	11,000	-	$7.11	March 16, 2018		
	27,500	-	$9.99	March 19, 2018		
	-	12,000	$19.95	December 1, 2021	(1)	
David T. Kettig	38,800	-	$9.09	January 4, 2019		
	11,000	-	$7.11	March 16, 2018		
	27,500	-	$9.99	March 19, 2018		
	-	15,000	$19.95	December 1, 2021	(1)	
Larry R. Graber	27,500	-	$9.09	January 4, 2019		
	11,000	-	$7.11	March 16, 2018		
	27,500	-	$9.99	March 19, 2018		
	-	10,000	$19.95	December 1, 2021	(1)	
Gary J. Balzofiore	44,000	-	$9.09	January 4, 2019		
	8,800	-	$7.11	March 16, 2018		
	-	10,000	$19.95	December 1, 2021	(1)	
Michael Kemp	-	-	-	-		

(1)

Stock options granted on December 1, 2016 vest in three equal installments beginning on December 1, 20

The following table sets forth information about the number and value of plan-based awards granted durin

Grants of Plan-Based Awards

Name	Grant Date	Number of Stock Awards Granted (#)	Number of Option Awards Granted (#)	Exercise Price ($)	Gra Date Fair
Roy T.K. Thung	December 1, 2016	-	-	-	
Teresa A. Herbert	December 1, 2016	-	12,000	19.95	
David T. Kettig	December 1, 2016	-	15,000	19.95	
Larry R. Graber	December 1, 2016	-	10,000	19.95	
Gary J. Balzofiore	December 1, 2016	-	10,000	19.95	
Michael Kemp	December 1, 2016	-	-	-	

The following table sets forth information about the number and value of option exercises and vested sto
named executive officer during the year 2016.

Option Exercises and Stock Vested

	Option Awards		Stock A
Name	Number of shares acquired on exercise (#)	Value realized on exercise ($)	Number of shares acquired on vesting (#)
Roy T.K. Thung	-	-	
Teresa A. Herbert	-	-	
David T. Kettig	6,500	45,184	
Larry R. Graber	-	-	
Gary J. Balzofiore	-	-	
Michael Kemp	-	382,564(1)	

(1)

Mr. Kemp exercised 45,000 SARs that were payable in cash.

Potential Payments to Named Executive Officers

With Mr. Thung

IHC is party to a Retirement Benefits Agreement with Mr. Roy T.K. Thung, dated as of September 30,
by amendments dated as of December 20, 2002, June 17, 2005 and December 31, 2008, respectively, pur
Thung is entitled to a lump-sum cash payment upon a separation from service from IHC of $1,659
cumulative, compounding basis of 6% per annum from December 31, 2008. Separation from service is
Treasury Regulations 1.409A-1(h)(1), and would generally include Mr. Thung s death, retirement or any
employment, including permanent disability. For example, had this provision been triggered on Decem
Thung would have been entitled to receive a payment of $2,645,082.

IHC is party to the Officer Employment Agreement by and between IHC and Mr. Roy T.K. Thung, IHC
Officer, President and Chairman of the Board of Directors, dated as of May 11, 2011. Under this employ
Mr. Thung s employment by IHC or its affiliate were to cease under certain circumstances, Mr. Thung
receive a lump-sum severance amount equal to the average annual aggregate total compensation recei
during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicabl
would be the longer of: (i) twelve months; and (ii) a number of months equal to the aggregate

number of years of service of Mr. Thung to IHC and its affiliates. The circumstances under which such s
paid are: (i) Mr. Thung s employment by IHC being involuntarily terminated under circumstances that
cause (examples of cause being Mr. Thung s material failure to follow IHC s lawful directions, ma
corporate policies, breach of the non-compete covenants in the employment agreement or his engaging in
that would damage IHC or its reputation); (ii) such employment being voluntarily terminated under circum
constitute good reason (examples of good reason being in connection with IHC s material breach
employment agreement, IHC s non-renewal of the employment agreement or change in control of IHC o
or; (iii) upon Mr. Thung s death or permanent disability. In addition, under the agreement, Mr. Thu
strategic and long-term incentive payments which are included in the Summary Compensation Table abo
of Mr. Thung s employment agreement is two years from the date it was entered into, but, by
automatically extended for successive two-year periods unless one hundred twenty days prior notice of
by IHC. For example, had the severance provisions of Mr. Thung s agreement been triggered on Dec
Thung would have been entitled to receive approximately $66,146 per month for forty months ($2,645,84

With Ms. Herbert

IHC is party to the Officer Employment Agreement, by and between IHC and Ms. Teresa A. Herbert, IH
Officer and Senior Vice President, dated as of April 18, 2011. Under this employment agreemen
employment by IHC or its affiliate were to cease under certain circumstances, Ms. Herbert would be e
severance amount equal to the average annual aggregate total compensation received by Ms. Herbert du
five years, adjusted *pro rata* for the applicable severance period. The applicable severance period would
twelve months; and (ii) a number of months equal to the aggregate number of years of service of Ms. He
affiliates, not to exceed twenty-four months. The circumstances under which such severance would
Herbert s employment by IHC being involuntarily terminated under circumstances that would not consti
of cause being Ms. Herbert s material failure to follow IHC s lawful directions, material failure t
policies, breach of the non-compete covenants in the employment agreement or her engaging in unla
would damage IHC or its reputation), or (ii) such employment being voluntarily terminated under circum
constitute good reason (examples of good reason being in connection with IHC s (or its success
obligations under the employment agreement or upon IHC s non-renewal of the employment agreement
Ms. Herbert s employment agreement is two years from the date it was entered into, but, by its terms, it
extended for successive two-year periods unless one hundred twenty days prior notice of non-renewal i
example, had the severance provision in Ms. Herbert s agreement been triggered on December 31, 201
have been entitled to receive approximately $45,068 per month for twenty-four months ($1,081,632 in the

With Mr. Kettig

IHC is party to the Officer Employment Agreement, by and among IHC, Standard Security Life (w
assigned the agreement to its affiliate AMIC Holdings, Inc.), and Mr. David T. Kettig, IHC s Chie
Executive Vice President and Acting General Counsel, dated as of April 18, 2011. Under this employme
Kettig s employment by Standard Security Life or its affiliate were to cease under certain circumstances,
entitled to receive a severance amount equal to the average annual aggregate total compensation rece
during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicabl
would be the longer of: (i) twelve months; and (ii) a number of months equal to the aggregate number of

Mr. Kettig to IHC and its affiliates, not to exceed twenty-four months. The circumstances under whi
would be paid are (i) Mr. Kettig s employment by Standard Security Life being involuntarily terminated
that would not constitute

cause (examples of cause being Mr. Kettig s material failure to follow Standard Security Life s
material failure to follow Standard Security Life s or IHC s corporate policies, breach of the non-com
employment agreement or his engaging in unlawful behavior that would damage Standard Security
respective reputations), or (ii) such employment being voluntarily terminated under circumstances that wo
reason (examples of good reason being in connection with Standard Security Life s (or its successo
obligations under the employment agreement or upon Standard Security Life s non-renewal of the emp
The initial term of Mr. Kettig s employment agreement is two years from the date it was entered into
will be automatically extended for successive two-year periods unless one hundred twenty days prior n
is given by Standard Security Life. For example, had the severance provision in Mr. Kettig s agreeme
December 31, 2016, Mr. Kettig would have been entitled to receive approximately $59,330 per mon
months ($1,423,920 in the aggregate).

With Mr. Graber

IHC is party to the Officer Employment Agreement, by and among IHC, Madison National Life, and M
IHC s Chief Life and Annuity Actuary and Senior Vice President, dated as of April 18, 2011. Und
agreement, if Mr. Graber s employment by Madison National Life or its affiliate were to cease under ce
Mr. Graber would be entitled to receive a severance amount equal to the average annual aggregate t
received by Mr. Graber during the preceding five years, adjusted *pro rata* for the applicable seve
applicable severance period would be the longer of: (i) twelve months; and (ii) a number of months equ
number of years of service of Mr. Graber to IHC and its affiliates, not to exceed twenty-four months.
under which such severance would be paid are (i) Mr. Graber s employment by Madison National Life
terminated under circumstances that would not constitute cause (examples of cause being Mr. G
follow Madison National Life s or IHC s lawful directions, material failure to follow Madison Na
corporate policies, breach of the non-compete covenants in the employment agreement or his engaging in
that would damage Madison National Life, IHC or their respective reputations), or (ii) such employmen
terminated under circumstances that would constitute good reason (examples of good reason b
Madison National Life s (or its successor s) material breach of its obligations under the employme
Madison National Life s non-renewal of the employment agreement). The initial term of Mr. G
agreement is two years from the date it was entered into, but, by its terms, it will be automatically exten
two-year periods unless one hundred twenty days prior notice of non-renewal is given by Madison
example, had the severance provision in Mr. Graber s agreement been triggered on December 31, 201
have been entitled to receive approximately $39,088 per month for twenty months ($781,760 in the aggreg

With Mr. Balzofiore

IHC is party to the Officer Employment Agreement, by and among IHC, Standard Security Life, and Mr.
IHC s Corporate Vice President Accounting and Finance, dated as of May 25, 2011. Under this emp
Mr. Balzofiore s employment by Standard Security Life or its affiliate were to cease under cert
Mr. Balzofiore would be entitled to receive a severance amount equal to the average annual aggregate
received by Mr. Balzofiore during the preceding five years, adjusted *pro rata* for the applicable seve
applicable severance period would be the longer of: (i) twelve months; and (ii) a number of months equ
number of years of service of Mr. Balzofiore to IHC and its affiliates, not to exceed twenty-four months.

under which such severance would be paid are (i) Mr. Balzofiore s employment by Standard Security Lif
terminated under circumstances that would not constitute cause (examples of cause being Mr. Balz
his duties, material failure to follow Standard Security Life s corporate policies, breach of the non-compe

employment agreement or his committing a crime involving financial or accounting fraud), or (ii) such
voluntarily terminated under circumstances that would constitute good reason (examples of good rea
with Standard Security Life s or IHC s material breach of its obligations under the employment agreem
Security Life s non-renewal of the employment agreement). The initial term of Mr. Balzofiore s emp
two years from the date it was entered into, but, by its terms, it will be automatically extended for su
periods unless one hundred twenty days prior notice of non-renewal is given by Standard Security Lif
the severance provision in Mr. Balzofiore s agreement been triggered on December 31, 2016, Mr. Ba
been entitled to receive approximately $41,722 per month for twenty-four months ($1,001,328 in the aggr

Stock Incentive Plans

Under the terms of IHC s stock incentive plans, the Compensation Committee may make appropriate prov
of awards thereunder in the event of a change in control of IHC or similar event. The specifics of such ar
be anticipated, and thus the prospective effect upon IHC cannot reliably be quantified.

Equity Compensation Plan Information

The following table sets forth certain information as of the end of the most recently completed fiscal y
compensation plans under which shares of IHC common stock may be issued.

Equity Compensation Plan Information

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Share Remaining Availabl Future Issuance Un Equity Compensation (Excluding Shares Ref in the First Colum
Equity compensation plans approved by stockholders	697,180	$11.75	1,1

DIRECTORS COMPENSATION

The general policy of the Board is that compensation for independent directors should be a mix of cash an
not pay management directors for board service in addition to their regular employee compensation.
Committee has the primary responsibility for reviewing and considering any revisions to director compens

During 2017, each non-employee (outside) director will be paid:

an annual retainer of $36,000;

$1,500 for each board or committee meeting attended;

$9,000 for service as chairman of a board committee; and

2,475 restricted shares of IHC common stock, vesting ratably over the three annual anniversaries
contingent upon continuing service as a director.

The following table summarizes compensation paid to IHC s directors during 2016 except for Mr. Ro
Chief Executive Officer and President, Mr. David T. Kettig, Chief Operating Officer, Executive Vice Pr
General Counsel, Mr. Larry R. Graber, Chief Life and Annuity Actuary and Senior Vice President, and
Chief Financial Officer and Senior Vice President, for whom compensation was previously discussed.

Director Summary Compensation

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Total ($)
Mr. Allan C. Kirkman	78,000	47,396	125,396
Mr. John L. Lahey.	69,000	47,396	116,396
Mr. Steven B. Lapin (1)	-	-	-
Mr. Ronald I. Simon	11,300(2)	47,396	58,696
Mr. James G. Tatum.	76,500	47,396	123,896

(1)

Mr. Lapin received no compensation in connection with his service as an IHC director during 2016.

(2)

Mr. Simon was newly-elected at the 2016 Annual Meeting of Stockholders and thus was only paid fees fo
of 2016.

ITEM 12.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND

MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Directors and Executive Officers

The following table sets forth certain information concerning the number of shares of our common stock
owned by each of our directors and each of our named executive officers based on 16,377,756 issued and
of common stock as of April 30, 2017.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or inve
respect to securities. Other than as described in the notes to the table, we believe that all persons name
sole voting and investment power with respect to shares beneficially owned by them. All share owners
shares issuable upon exercise of options or warrants exercisable within 60 days of the date above,
outstanding and beneficially owned by such person for purposes of computing his or her percentage ow
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, Connectic

Name of Beneficial Owner	Number of Shares		Percent of Class
Mr. Gary J. Balzofiore	69,473	(1)	*
Mr. Larry R. Graber	100,285	(2)	*
Ms. Teresa A. Herbert	131,987	(3)	*
Mr. David T. Kettig	158,185	(4)	*
Mr. Allan C. Kirkman	26,301	(5)	*
Mr. John L. Lahey	22,275	(5)	*
Mr. Steven B. Lapin	122,162	(6)	*
Mr. Ronald I. Simon	40,000	(7)	*
Mr. James G. Tatum	38,301	(5)	*
Mr. Roy T. K. Thung	535,670	(8)	3.2%
All directors, nominees for director and executive officers as a group (10 persons)	1,244,639		7.4%

*

Represents less than 1% of the outstanding common stock.

(1)

Includes 44,000 shares of common stock underlying stock options exercisable within sixty (60) days from

(2)

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

(3)

Includes 74,800 shares of common stock underlying stock options exercisable within sixty (60) days fr
Includes 410 shares of common stock held by Ms. Herbert s children of which shares Ms. Herbert
ownership. Excludes the 9,145,226 shares of common stock held by Geneve Holdings, Inc., of which th
is an officer.

(4)

Includes 66,300 shares of common stock underlying stock options exercisable within sixty (60) days fr
Includes 110 shares of common stock held by Mr. Kettig s children of which shares Mr. Kettig c

ownership.

(5)

Includes 1,650 shares of common stock underlying restricted share units vesting within sixty (60) days fro

(6)

Excludes the 9,145,226 shares of common stock held by Geneve Holdings, Inc., of which the named indiv

(7)

Includes 30,000 shares of common stock held by the Simon Family Trust and 2,000 shares of commo
Simon s wife s IRA account, of which shares Mr. Simon disclaims beneficial ownership.

(8)

Includes 258,500 shares of common stock underlying stock options exercisable within sixty (60) days fr
Excludes the 9,145,226 shares of common stock held by Geneve Holdings, Inc., of which the named indiv

Significant Stockholders

The following table sets forth certain information concerning the number of shares of our common stock
owned by certain persons known by IHC to beneficially own more than five percent of the outstand
common stock, based on 16,377,756 issued and outstanding shares of common stock as of April 30, 2017.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or inve
respect to securities. Other than as described in the notes to the table, we believe that all persons name
sole voting and investment power with respect to shares beneficially owned by them. All share owners
shares issuable upon exercise of options or warrants exercisable within 60 days of the date above,
outstanding and beneficially owned by such person for purposes of computing its percentage ownership, b
of computing the percentage ownership of any other person.

Name	**Number of Shares**	**Percent of Cl**
Geneve Holdings, Inc. (1)	9,145,226	55.84
Dimensional Fund Advisors LP. (2)	970,639	5.93

(1)

According to (i) information disclosed in Amendment No. 35 to Schedule 13D dated May 9, 2001 of Ge
(GHI), a private diversified financial holding company. GHI is a member of a group consisting of i
affiliates that together hold the shares of common stock of IHC. The address of GHI is 96 Cummings Poi
Connecticut 06902.

(2)

According to information disclosed in Schedule 13G, reporting as of December 31, 2016 (the Schedul
Fund Advisors LP, an investment adviser registered under Section 203 of the Investment Advisors Act
investment advice to four investment companies registered under the Investment Company Act of 1
investment manager to certain other commingled group trusts and separate accounts (such investment co
accounts, collectively referred to as the Funds). In certain cases, subsidiaries of Dimensional Fund Adv
adviser or sub-adviser to certain Funds. In its role as investment advisor, sub-adviser and/or manager,
Advisors LP or its subsidiaries (collectively, Dimensional) possess voting and/or investment power
IHC that are owned by the Funds, and may be deemed to be the beneficial owner of the shares of IHC
However, all shares of IHC s common stock reported in the Schedule 13G are owned by the Funds. Di
beneficial ownership of such securities. In addition, its filing of the Schedule 13G shall not be constru
that it or any of its affiliates is the beneficial owner of any securities covered by the Schedule 13G for
than Section 13(g) of the Securities Exchange Act of 1934, as amended. The address of Dimensional F
Palisades West, Building 1, 6300 Bee Cave Road, Austin, Texas 78746.

ITEM 13.

CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENC

Director Independence

As a company listed on the New York Stock Exchange (NYSE), IHC uses the definition of independ
NYSE Listed Company Manual (the Manual). Each of Messrs. Kirkman, Tatum, Lahey and Simon m
requirements. The Board has affirmatively

determined that none of them had any material relationship described in Item 407(a) of Regulation S-K p
SEC with IHC at all applicable times during 2016.

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

Of IHC s directors, none of Ms. Herbert or Messrs. Graber, Kettig, Lapin or Thung is independen
standards.

For each independent director, after reasonable investigations and in reliance on representations by such in
to IHC, IHC believes there is no material transaction, relationship or arrangement described in Item 407(a
promulgated by the SEC between each such director not disclosed in this annual report under th
Relationships and Related Transactions.

Compensation Committee Interlocks and Insider Participation

Messrs. Kirkman, Lahey and Tatum served on the Compensation Committee of the Board during fiscal ye

Transactions with Management and Other Relationships

With Geneve Holdings, Inc.

IHC and Geneve Holdings, Inc. (GHI), IHC s controlling stockholder, operate under cost-sharing ar
which certain items are allocated between the two companies. During 2016, IHC paid GHI (or accrued fo
approximately $439,000 under such arrangements, and paid or accrued an additional $113,000 for the fi
Such cost-sharing arrangements include GHI s providing IHC with the use of office space as IHC s corp
annual consideration of $160,000 in 2016. The foregoing arrangement is subject to the annual review a
Audit Committee, and IHC s management believes that the terms thereof are no less favorable than could
from unrelated parties on an arm s-length basis.

Review, Approval, or Ratification of Transactions with Related Persons

Section 5.7 of IHC s by-laws provide that no contract or transaction between IHC and one or more of its
(or their affiliates) is *per se* void (or voidable) if, among other things, the material facts as to the relevar
interests were disclosed to the Board (or the relevant committee thereof) and the transaction in question
majority of the disinterested directors voting on the matter. The Audit Committee s charter requires the
review and approve all interested-party transactions, and IHC s other governance documents specific
conflicts of interest and impose disclosure requirements in connection with any potential conflict of intere

The Audit Committee has reviewed and approved each of the related-party transactions set forth above. I
any transaction reportable under paragraph (a) of Item 404 of Regulation S-K promulgated under the S
Act of 1934, as amended, in respect of 2016, that was not so reviewed and approved.

ITEM 14.

PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table sets forth fees for services that RSM US LLP (RSM) and KPMG LLP (KPMG
2016 and 2015:

	2016	2015
Audit fees (1)	$ 1,545,900(2)	$ 2,725,000
Audit-related fees	-	177,000
Tax fees	-	-
All other fees	20,150(3)	-
Total	$ 1,566,050	$ 2,902,000

(1)

Audit Fees. Represents fees for professional services provided for the audit of IHC s annual financial st
of IHC s quarterly financial statements and audit services provided in connection with other statutory or r

(2)

The audit fees for 2016 are based on initial engagement plus estimates for completion and are pendin
disclosed in the Company s Form 8-K filed on September 16, 2016, IHC dismissed KPMG as its ind
accounting firm and engaged RSM as its independent registered accounting firm. Audit fees listed abov
related to audit services provided by KPMG and $1,341,900, estimated thus far, related to audit services p

(3)

All other fees for 2016 represent anticipated amounts payable to RSM for the audit of the Company s 4
initial engagement.

The Audit Committee has determined that the provision of non-audit services by KPMG is compatibl
KPMG s independence. Any such engagement of KPMG to provide non-audit services to IHC must be
Audit Committee.

We have agreed to indemnify and hold KPMG LLP harmless against and from any and all legal costs and
by KPMG in successful defense of any legal action or proceeding that arises as a result of KPMG s con
(or incorporation by reference) of its audit report on the Company s past financial statements incorpora
our registration statement on Form S-8.

PART IV

ITEM 15.

EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) and (2)

See Index to Consolidated Financial Statements and Schedules on page 80.

(a) (3) EXHIBITS

See Exhibit Index on page 145.

SIGNATURES

Pursuant to the requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, the
caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 22, 20

INDEPENDENCE HOLDING COMPANY

REGISTRANT

By:

/s/ Roy T. K. Thung

Roy T.K. Thung

President and Chief Executive Officer

(Principal Executive Officer)

By:

/s/ Teresa A. Herbert

Teresa A. Herbert

Senior Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed belo
persons on behalf of the Registrant and in the capacities indicated as of the 19th day of May, 2017.

/s/ Larry R. Graber Larry R. Graber Director and Senior Vice President	/s/ Steven B. Lapin Steven B. Lapin Director and Vice Chairman

/s/ Allan C. Kirkman
Allan C. Kirkman
Director

/s/ James G. Tatum
James G. Tatum
Director

/s/ John L. Lahey
John L. Lahey
Director

/s/ Ronald I. Simon
Ronald I. Simon
Director

/s/ Roy T.K. Thung
Roy T.K. Thung
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ David T. Kettig
David T. Kettig
Director, Senior Vice President and
Chief Operating Officer

/s/ Teresa A. Herbert
Teresa A. Herbert
Director, Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

Reports of Independent Registered Public Accounting Firms

CONSOLIDATED FINANCIAL STATEMENTS:

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income (Loss)

Consolidated Statements of Changes in Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

SCHEDULES:*

Summary of Investments - Other Than Investments in Related Parties (Schedule I)

Condensed Financial Information of Parent Company (Schedule II)

Supplementary Insurance Information (Schedule III)

Supplemental Schedule of Reinsurance (Schedule IV)

*All other schedules have been omitted as they are not applicable or not required, or the informatio
Consolidated Financial Statements or Notes thereto.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Independence Holding Company:

We have audited Independence Holding Company's internal control over financial reporting as of Decem
on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsor
the Treadway Commission in 2013. Independence Holding Company's management is responsible for m
internal control over financial reporting and for its assessment of the effectiveness of internal control over
included in the accompanying Management s Report of Internal Control over Financial Reporting. Ou
express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversi
States). Those standards require that we plan and perform the audit to obtain reasonable assurance abou
internal control over financial reporting was maintained in all material respects. Our audit incl
understanding of internal control over financial reporting, assessing the risk that a material weakness exi
evaluating the design and operating effectiveness of internal control based on the assessed risk. Our
performing such other procedures as we considered necessary in the circumstances. We believe that o
reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assu
reliability of financial reporting and the preparation of financial statements for external purposes i
generally accepted accounting principles. A company's internal control over financial reporting include
procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately an
transactions and dispositions of the assets of the company; (b) provide reasonable assurance that transact
necessary to permit preparation of financial statements in accordance with generally accepted accounting
receipts and expenditures of the company are being made only in accordance with authorizations o
directors of the company; and (c) provide reasonable assurance regarding prevention or timely detect
acquisition, use, or disposition of the company's assets that could have a material effect on the financial st

Because of its inherent limitations, internal control over financial reporting may not prevent or detect m
projections of any evaluation of effectiveness to future periods are subject to the risk that controls may
because of changes in conditions, or that the degree of compliance with the policies or procedures may de

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial
there is a reasonable possibility that a material misstatement of the company's annual or interim financial
be prevented or detected on a timely basis. Material weaknesses related to the internal controls over fin

income taxes have been identified and included in management s assessment in Item 9a. These mater
considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2016 fi
and this report does not affect our report dated May 22, 2017 on those financial statements.

In our opinion, because of the effect of the material weaknesses described above on the achievement of t
control criteria, Independence Holding Company has not maintained effective internal control over finan
December 31, 2016, based on criteria established in Internal

Control   Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway C

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Bo
the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of inco
income, stockholders' equity and cash flows for the year then ended, and the financial statement schedul
Holding Company listed in Item 15(a) and our report dated May 22, 2017 expressed an unqualified opinio

/s/ RSM

Jacksonville, Florida
May 22, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Independence Holding Company:

We have audited the accompanying consolidated balance sheet of Independence Holding Company an
December 31, 2016, and the related consolidated statements of income, comprehensive income, stockhold
flows for the year then ended. Our audit also included the financial statement schedules of Independence
listed in Item 15(a). These financial statements and financial statement schedules are the responsibilit
management. Our responsibility is to express an opinion on these financial statements and schedules an
Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversi
States). Those standards require that we plan and perform the audit to obtain reasonable assurance
financial statements are free of material misstatement. An audit includes examining, on a test basis, evid
amounts and disclosures in the financial statements. An audit also includes assessing the accounting p
significant estimates made by management, as well as evaluating the overall financial statement presentati
our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material res
position of Independence Holding Company and subsidiaries as of December 31, 2016, and the results of t
their cash flows for the year then ended, in conformity with U.S. generally accepted accounting prin
opinion, the related financial statement schedules, when considered in relation to the basic consolidated f
taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Bo
Independence Holding Company and subsidiaries internal control over financial reporting as of Decemb
criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring
Treadway Commission in 2013. Our report dated May 22, 2017 expressed an opinion that Independence
had not maintained effective internal control over financial reporting as of December 31, 2016, based on
in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organization
Commission in 2013.

As discussed in Note 3 to the financial statements, the Company sold Risk Solutions, LLC and accou
discontinued operations. We audited the adjustments described in Note 3 that were applied to restate
financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

/s/ RSM US LLP

Jacksonville, Florida
May 22, 2017

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Independence Holding Company:

We have audited, before the effects of the adjustments to retrospectively reflect discontinued operations
to the consolidated financial statements, the accompanying consolidated balance sheets of Independence
and subsidiaries (the Company) as of December 31, 2015, and the related consolidated statements of inco
income (loss), changes in stockholders equity, and cash flows for years ended December 31, 2015 and
with our audits of the consolidated financial statements, we also have audited, before the effects of
retrospectively reflect discontinued operations discussed in Note 3 to the consolidated financial statemen
financial statement schedules II to IV, as of December 31, 2015 and for the years ended December 31, 2
2015 and 2014 financial statements and schedules before the effects of these adjustments discussed
presented herein. The 2015 and 2014 consolidated financial statements and financial statement
responsibility of the Company s management. Our responsibility is to express an opinion on these co
statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Overs
States). Those standards require that we plan and perform the audit to obtain reasonable assurance
financial statements are free of material misstatement. An audit includes examining, on a test basis, evid
amounts and disclosures in the financial statements. An audit also includes assessing the accounting p
significant estimates made by management, as well as evaluating the overall financial statement presentati
our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, before the effects of t
retrospectively reflect discontinued operations discussed in Note 3 to the consolidated financial statemen
all material respects, the financial position of Independence Holding Company and subsidiaries as of D
and the results of their operations and their cash flows for each of the years in the two-year period ended D
in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related f
schedules, when considered in relation to the basic consolidated financial statements taken as a whole, p
material respects, the information set forth therein.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively r
operations discussed in Note 3 to the consolidated financial statements, we do not express an opinion o
assurance about whether such adjustments are appropriate and have been properly applied. Those adjust
by a successor auditor.

/s/ KPMG LLP

New York, New York
May 22, 2017

INDEPENDENCE HOLDING COMPANY
CONSOLIDATED BALANCE SHEETS (In thousands, except share data)
DECEMBER 31,

		2016
ASSETS:		
Investments:		
Short-term investments	$	6,912
Securities purchased under agreements to resell		28,962
Trading Securities		592
Fixed maturities, available-for-sale		449,487
Equity securities, available-for-sale		5,333
Other investments		23,534
Total investments		514,820
Cash and cash equivalents		22,010
Due and unpaid premiums		42,896
Due from reinsurers		440,285
Premium and claim funds		17,952
Goodwill		41,573
Other assets		54,928
Assets attributable to discontinued operations (Note 3)		-
TOTAL ASSETS	$	1,134,464
LIABILITIES AND STOCKHOLDERS' EQUITY:		
LIABILITIES:		
Policy benefits and claims	$	219,113
Future policy benefits		219,450
Funds on deposit		145,749
Unearned premiums		9,786
Other policyholders' funds		9,769
Due to reinsurers		35,796
Accounts payable, accruals and other liabilities		55,477
Liabilities attributable to discontinued operations (Note 3)		68
Debt		-
Junior subordinated debt securities		-
TOTAL LIABILITIES		695,208
Commitments and contingencies (Note 15)		
STOCKHOLDERS' EQUITY:		

Preferred stock $1.00 par value, 100,000 shares authorized; none issued or outstanding	-
Common stock $1.00 par value: 23,000,000 shares authorized; 18,620,508 and 18,569,183 shares issued, 17,102,525 and 17,265,758 shares outstanding	18,620
Paid-in capital	126,468
Accumulated other comprehensive loss	(6,964)
Treasury stock, at cost: 1,517,983 and 1,303,425 shares	(17,483)
Retained earnings	315,918
TOTAL IHC STOCKHOLDERS EQUITY	436,559
NONCONTROLLING INTERESTS IN SUBSIDIARIES	2,697
TOTAL EQUITY	439,256
TOTAL LIABILITIES AND EQUITY	$ 1,134,464

See accompanying notes to consolidated financial statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (In thousands, except per share data)
YEARS ENDED DECEMBER 31,

	2016	**2015**
REVENUES:		
Premiums earned	$ 262,704	$ 479,534
Net investment income	16,570	17,237
Fee income	16,446	10,651
Other income	12,257	10,267
Gain on sale of subsidiary to joint venture	-	9,940
Net realized investment gains	4,502	3,094
Other-than-temporary impairment losses:		
Total other-than-temporary impairment losses	(1,475)	(228)
Portion of losses recognized in other comprehensive income (loss)	-	-
Net impairment losses recognized in earnings	(1,475)	(228)
	311,004	530,495
EXPENSES:		
Insurance benefits, claims and reserves	145,231	307,178
Selling, general and administrative expenses	132,174	177,641
Interest expense on debt	1,534	1,798
	278,939	486,617
Income from continuing operations before income taxes	32,065	43,878
Income taxes	9,555	15,904
Income from continuing operations, net of tax	22,510	27,974
Discontinued operations (Note 3):		
Income from discontinued operations, before income taxes	117,617	4,310
Income taxes on discontinued operations	6,813	1,762
Income from discontinued operations, net of tax	110,804	2,548
Net income	133,314	30,522
Less: Income from noncontrolling interests in subsidiaries	(10,016)	(578)
NET INCOME ATTRIBUTABLE TO IHC	$ 123,298	$ 29,944
Basic income per common share (Note 2)		
Income from continuing operations	$ 1.28	$ 1.59
Income from discontinued operations	5.90	.14
Basic income per common share	$ 7.18	$ 1.73

WEIGHTED AVERAGE SHARES OUTSTANDING		17,162		17,314
Diluted income per common share (Note 2)				
Income from continuing operations	$	1.27	$	1.58
Income from discontinued operations		5.82		.13
Diluted income per common share	$	7.09	$	1.71
WEIGHTED AVERAGE DILUTED SHARES OUTSTANDING		17,379		17,484

See accompanying notes to consolidated financial statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In thousands)
YEARS ENDED DECEMBER 31,

	2016	**2015**
Net income	$ 133,314	$ 30,52
Other comprehensive income (loss):		
Available-for-sale securities:		
Unrealized gains (losses) on available-for-sale securities, pre-tax	(5,424)	(5,47
Tax expense (benefit) on unrealized gains (losses) on available-for-sale securities	(1,916)	(2,01
Unrealized gains (losses) on available-for-sale securities, net of taxes	(3,508)	(3,46
Other comprehensive income (loss), net of tax	(3,508)	(3,46
COMPREHENSIVE INCOME, NET OF TAX	129,806	27,06
Comprehensive income, net of tax, attributable to noncontrolling interests:		
Income from noncontrolling interests in subsidiaries	(10,016)	(57
Other comprehensive (income) loss, net of tax, attributable to noncontrolling interests:		
Unrealized (gains) losses on available-for-sale securities, net of tax	(118)	(
Other comprehensive (income) loss, net of tax, attributable to noncontrolling interests	(118)	(
COMPREHENSIVE INCOME, NET OF TAX, ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(10,134)	(58
COMPREHENSIVE INCOME, NET OF TAX, ATTRIBUTABLE TO IHC	$ 119,672	$ 26,47

See accompanying notes to consolidated financial statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (In thousands,

	COMMON STOCK		PAID-IN	ACCUMULATED OTHER COMPREHENSIVE	TREASURY STOCK, AT COST		R
	SHARES	AMOUNT	CAPITAL	INCOME (LOSS)	SHARES	AMOUNT	R
BALANCE AT DECEMBER 31, 2013	18,523,733	$ 18,524	$ 126,239	$ (10,472)	(863,343)	$ (8,169)	$
Net income							
Other comprehensive loss, net of tax				10,494			
Repurchases of common stock					(296,775)	(3,972)	
Common stock dividends ($.07 per share)							
Share-based compensation expense and related tax benefits	7,425	7	756				
Distributions to noncontrolling interests							
Other capital transactions			103				
BALANCE AT DECEMBER 31, 2014	18,531,158	$ 18,531	$ 127,098	$ 22	(1,160,118)	$ (12,141)	$
Net income							
Other comprehensive income, net of tax				(3,467)			

Repurchases of common stock					(143,307)	(1,820)
Acquisition of subsidiary						
Purchases of noncontrolling interests			112	5		
Common stock dividends ($.09 per share)						
Share-based compensation expense and related tax benefits	38,025	38	408			
Other capital transactions			115			
BALANCE AT DECEMBER 31, 2015	18,569,183$	18,569$	127,733 $	(3,440)	(1,303,425)$	(13,961)$
Net income						
Other comprehensive income, net of tax				(3,626)		
Repurchases of common stock					(214,558)	(3,522)
Purchases of noncontrolling interests			(2,302)	102		
Common stock dividends ($.105 per share)						
Share-based compensation expense and related tax benefits	51,325	51	727			
Distributions to noncontrolling interests						
Other capital transactions			310			
BALANCE AT DECEMBER 31, 2016	18,620,508$	18,620$	126,468 $	(6,964)	(1,517,983)$	(17,483)$

See accompanying notes to consolidated financial statements.

INDEPENDENCE HOLDING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (In thousands)
YEARS ENDED DECEMBER 31,

	2016	2015
Cash Flows Provided By (Used By) Operating Activities:		
Net income	$ 133,314	$ 30,522
Adjustments to reconcile net income to net change in cash from		
operating activities:		
Gain on disposal of discontinued operations, net of tax	(110,337)	-
Gain on sale of subsidiary to joint venture	-	(9,940)
Gain on disposition of assets	-	(5,053)
Amortization of deferred acquisition costs	319	3,524
Net realized investment gains	(4,502)	(3,094)
Other-than-temporary impairment losses	1,475	228
Equity income from equity method investments	(62)	(405)
Depreciation and amortization	1,831	2,313
Deferred tax expense	4,445	614
Other	7,809	6,724
Changes in assets and liabilities:		
Net purchases (sales) of trading securities	3,727	5,356
Change in insurance liabilities	(120,064)	(18,907)
Change in deferred acquisition costs	(296)	26,774
Change in amounts due from reinsurers	42,787	(202,617)
Change in premium and claim funds	3,094	(1,891)
Change in current income tax liability	(9,146)	3,386
Change in due and unpaid premiums	26,179	(6,447)
Other operating activities	(11,571)	4,189
Net change in cash from operating activities	(30,998)	(164,724)
Cash Flows Provided By (Used By) Investing Activities:		
Net purchases of short-term investments	(6,870)	-
Net (purchases) sales of securities under resale agreements	(677)	(11,495)
Sales of equity securities	3,577	11,986
Purchases of equity securities	-	(6,601)
Sales of fixed maturities	410,983	629,376
Maturities and other repayments of fixed maturities	47,285	42,630
Purchases of fixed maturities	(486,398)	(521,417)
Acquisition of subsidiary, net of cash acquired	-	511
Proceeds from sales/deconsolidation of subsidiaries, net of cash divested	135,736	4,518
Proceeds from sale of assets	-	8,000
Change in policy loans	1	10,629
Proceeds on sales of other investments	4,210	1,000
Purchases of other investments	(4,371)	-
Other investing activities	(4,601)	(809)

Net change in cash from investing activities	98,875	168,328
Cash Flows Provided By (Used By) Financing Activities:		
Repurchases of common stock	(3,522)	(1,820)
Cash paid in acquisitions of noncontrolling interests	(18,111)	(1,734)
Withdrawals of investment-type insurance contracts	1,898	(2,306)
Repayments of debt	(42,935)	(2,617)
Dividends paid	(1,553)	(1,392)
Other financing activities	(815)	353
Net change in cash from financing activities	(65,038)	(9,516)
Net change in cash and cash equivalents, including discontinued operations	2,839	(5,912)
Cash and cash equivalents, beginning of year, including discontinued operations	19,171	25,083
Cash and cash equivalents, end of year, including discontinued operations	$ 22,010	$ 19,171

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1.

Organization, Consolidation, Basis of Presentation and Accounting Policies

(A)

Business and Organization

Independence Holding Company, a Delaware corporation (IHC), is a holding company principally e
health insurance business through: (i) its insurance companies, Standard Security Life Insurance Com
("Standard Security Life"), Madison National Life Insurance Company, Inc. ("Madison National Life")
American Insurance Company (Independence American); and (ii) its marketing and administrative com
Specialty Benefits Inc. and IHC Carrier Solutions, Inc. IHC also owns a significant equity interest
Exchange Holdings, LLC (Ebix Health Exchange), an administration exchange for health insuran
interest in a managing general underwriter (MGU) that writes medical stop-loss. On March 31, 2016, t
Risk Solutions, LLC (Risk Solutions), an MGU that was its principal source of medical stop-loss busi
the in-force medical stop-loss business of Standard Security Life and Independence American produced
was 100% co-insured as of January 1, 2016 and IHC s block of medical stop-loss business is in run-of
Life, Madison National Life and Independence American are sometimes collectively referred to as the I
and its subsidiaries (including the Insurance Group) are sometimes collectively referred to as the "Compa
implicit in the terms we , us and our .

Geneve Corporation, a diversified financial holding company, and its affiliated entities, held approxim
outstanding common stock at December 31, 2016.

(B)

Consolidation

AMIC Holdings, Inc.

AMIC Holdings, Inc., formerly known as American Independence Corp., (AMIC) is an insurance hold
in the insurance and reinsurance business. At December 31, 2015, the Company owned approximately 92%
common stock. On August 31, 2016, IHC took AMIC private by way of a statutory short-form" merger
$18,111,000 for the remaining shares of AMIC common stock owned by noncontrolling interests a
Company now owns all of the outstanding common stock of AMIC. In connection with the transactio
charged to paid-in capital representing: (i) the difference between the fair value of the consideration paid
the carrying amount of noncontrolling interests; plus (ii) specific, direct costs of the transaction.

In 2015, IHC purchased shares of AMIC common stock increasing its ownership interest in A
approximately 92%.

Effects of Ownership Changes in Subsidiaries

The following table summarizes the effects of any changes in the Company s ownership interests in
owned subsidiaries on IHC s equity for the years indicated (in thousands).

		2016		2015		2014
Changes in IHC s paid-in capital:						
Purchases of AMIC shares	$	(2,200)	$	(199)	$	
Purchase remaining IPA Family, LLC interests		-		311		
Net transfers from (to) noncontrolling interests	$	(2,200)	$	112	$	

(C)

Basis of Presentation

The Consolidated Financial Statements have been prepared in conformity with U.S. generally accepted ac
(GAAP) and include the accounts of IHC and its consolidated subsidiaries. All significant intercomp
been eliminated in consolidation. The preparation of financial statements in conformity with U.S
management to make estimates and assumptions that affect: (i) the reported amounts of assets and
disclosure of contingent assets and liabilities at the date of the financial statements; and (ii) the reported a
and expenses during the reporting period. Actual results could differ from those estimates.

On March 31, 2016, the Company sold Risk Solutions, its managing general underwriter of excess or sto
self-insured employer groups that desire to manage the risk of large medical claims (Medical Stop-Los
the purchase and sale agreement, all of the in-force stop-loss business of Standard Security Life and Inde
produced by Risk Solutions was 100% co-insured as of January 1, 2016. IHC s block of medical sto
run-off. The sale of Risk Solutions and exit from the medical stop-loss business represents a strategic s
major effect on the Company s operations and financial results. The disposal transaction quali
discontinued operations in the first quarter of 2016 as a result of the Board of Directors commitment to a
in January 2016. The assets, liabilities, and related income and expenses associated with the disposal gro
discontinued operations in the accompanying consolidated financial statements and Notes thereto for all
The results of discontinued operations reflect the operations of the disposed MGUs (see Note 3). T
remaining block of medical stop-loss business is in continuing operations.

Effective September 1, 2015 (Deconsolidation Date), pursuant to the terms of a contribution agreeme
of its shares in its subsidiary, IHC Health Solutions, Inc. (IHC Health Solutions) to Ebix Health Exc
joint venture with Ebix, Inc. (Ebix), and, as a result, IHC deconsolidated IHC Health Solutions (see N

with U.S. GAAP, the accompanying Consolidated Financial Statements include the operating results of IH
prior to the Deconsolidation Date. Subsequent to the Deconsolidation Date, the Company s equity interes
is accounted for under the equity method of accounting.

(D)

Reclassifications

Certain amounts in prior year s Consolidated Financial Statements and Notes thereto have been reclassif
2016 presentation, primarily for the effects of discontinued operations.

(E)

Cash, Cash Equivalents and Short-Term Investments

Cash equivalents are carried at cost which approximates fair value, and include principally interest-
brokers, money market instruments and U.S. Treasury securities with original maturities of less than 91
with original maturities of 91 days to one year are considered short-term investments and are carr
approximates fair value.

The following is a reconciliation of cash and cash equivalents as reported in the Consolidated Balance S
cash and cash equivalents, including discontinued operations, as reported in the Consolidated Statements
December 31 of each year indicated (in thousands):

		December 31,	
		2016	2015
Cash and cash equivalents	$	22,010$	17,500$
Cash and cash equivalents attributable to discontinued operations		-	1,671
Cash and cash equivalents, including discontinued operations	$	22,010$	19,171$

(F)

Securities Purchased Under Agreements to Resell

Securities purchased under agreements to resell ("resale agreements") are carried at the amounts at which
be subsequently resold as specified in the agreements. Resale agreements are utilized to invest excess fu
basis. At December 31, 2016, the Company had $28,962,000 invested in resale agreements, all of which s
2017 and were subsequently reinvested. The Company maintains control of securities purchased under
values the collateral on a daily basis and obtains additional collateral, if necessary, to protect the Comp

default by the counterparties.

(G)

Investment Securities

(i) Investments in fixed maturities, redeemable preferred securities and equity securities are accounted for

(a) Securities that are held for trading purposes are carried at estimated fair value ("fair value"). Chang
credited or charged, as appropriate, to net realized investment gains (losses) in the Consolidated Statement

(b) Securities not held for trading purposes that may or may not be held to maturity ("available-for-s
carried at fair value. Unrealized gains and losses deemed temporary, net of deferred income taxes, are cre
appropriate, to other comprehensive income or loss. Premiums and discounts on debt securities purchas
value are amortized and accreted, respectively, to interest income in the Consolidated Statements of
constant yield method over the period to maturity.

(ii) Gains or losses on sales of securities are determined on the basis of specific identification and are reco
investment gains (losses) in the Consolidated Statements of Income on the trade date.

(iii) Fair value is determined using quoted market prices when available. In some cases, we use quote
similar instruments in active markets and/or model-derived valuations where inputs are observable in act
there are limited or inactive trading markets, we use industry-standard pricing methodologies, including di
models, whose inputs are based

on management assumptions and available current market information. Further, we retain independent
assist in valuing certain instruments. Most of the securities in our portfolio are classified in either Level
Fair Value Hierarchy.

The Company periodically reviews and assesses the vendor s qualifications and the design and appropri
methodologies. Management will on occasion challenge pricing information on certain individual secu
communications with the vendor, obtain information about the assumptions, inputs and methodologies us
securities, and corroborate it against documented pricing methodologies. Validation procedures are in
completeness and accuracy of pricing information, including, but not limited to: (i) review of except
identify any zero or un-priced securities; (b) identify securities with no price change; and (c) ident
significant price changes; (ii) performance of trend analyses; (iii) periodic comparison of pricing to
sources; and (iv) comparison of pricing changes to expectations based on rating changes, benchmarks or
certain circumstances, pricing is unavailable from the vendor and broker-pricing information is used to de
In these instances, management will assess the quality of the data sources, the underlying ass
reasonableness of the broker quotes based on the current market information available. To determi
represents an error, management will often have to exercise judgment. Procedures to resolve an exception
the significance of the security and its related class, the frequency of the exception, the risk of material mi
availability of information for the security. These procedures include, but are not limited to; (i) a price cha
the vendor; (ii) pricing from a different vendor; (iii) a reasonableness review; and (iv) a change in pr
information, such as an actual market trade, among other things. Management considers all facts and re
obtained during the above procedures to determine the proper classification of each security in the Fair Va

(iv) The Company reviews its investment securities regularly and determines whether other-than-temp
have occurred. The factors considered by management in its regular review to identify and recognize oth
impairment losses on fixed maturities include, but are not limited to: the length of time and extent to whic
been less than cost; the Company's intent to sell, or be required to sell, the debt security before the anticip
remaining amortized cost basis; the financial condition and near-term prospects of the issuer; adverse
announced by one or more rating agencies; subordinated credit support; whether the issuer of a debt sec
current on principal and interest payments; current expected cash flows; whether the decline in fair value
specific or, alternatively, a reflection of general market or industry conditions including the effect of
interest rates. If the Company intends to sell a debt security, or it is more likely than not that it would b
debt security before the recovery of its amortized cost basis, the entire difference between the security's a
and its fair value at the balance sheet date would be recognized by a charge to total other-than-temporary
in the Consolidated Statement of Income. If a decline in fair value of a debt security is judged by
other-than-temporary and; (i) the Company does not intend to sell the security; and (ii) it is not more lik
will be required to sell the security prior to recovery of the security s amortized cost, the Company a
present value of the cash flows to be collected from the security is less than its amortized cost basis. To
present value of the cash flows generated by a debt security is less than the amortized cost basis, a credit
such security, the impairment is bifurcated into (a) the amount of the total impairment related to the cre
amount of the total impairment related to all other factors. The amount of the other-than-temporary impai
credit loss is recognized by a charge to total other-than-temporary impairment losses in the Consolid
Income, establishing a new cost basis for the security. The amount of the other-than-temporary impai
other factors is recognized in other comprehensive income (loss). It is reasonably possible that further de
fair values of such investments, or changes in assumptions or estimates of anticipated recoveries and/
cause further other-than-temporary impairments in the near term, which could be significant.

In assessing corporate debt securities for other-than-temporary impairment, the Company evaluates the ab
meet its debt obligations and the value of the company or specific

collateral securing the debt position. For mortgage-backed securities where loan level data is not avail
uses a cash flow model based on the collateral characteristics. Assumptions about loss severity and d
model are primarily based on actual losses experienced and defaults in the collateral pool. Prepayment
and estimated, are also considered. The cash flows generated by the collateral securing these securities a
with these default, loss severity and prepayment assumptions. These collateral cash flows are then u
consideration for the issue s position in the overall structure, to determine the cash flows associated with
security held by the Company. In addition, the Company evaluates other asset-backed securities for oth
impairment by examining similar characteristics referenced above for mortgage-backed securities. The C
U.S. Treasury securities and obligations of U.S. Government corporations, U.S. Government agencies,
states and political subdivisions for other-than-temporary impairment by examining the terms and collater

Equity securities may experience other-than-temporary impairment in the future based on the prospects
value in a reasonable period of time and the Company s ability and intent to hold the security to recover
value is judged by management to be other-than-temporary or management does not have the intent
security, a loss is recognized by a charge to total other-than-temporary impairment losses in the Consoli
Income. For the purpose of other-than-temporary impairment evaluations, redeemable preferred stocks
manner similar to debt securities. Declines in the creditworthiness of the issuer of debt securities w
equity-like features are evaluated using the equity model in consideration of other-than-temporary impairm

Subsequent increases and decreases, if not an other-than-temporary impairment, in the fair value of
securities that were previously impaired, are recorded in other comprehensive income (loss).

(H)

Other Investments

Other investments primarily consist of limited partnership interests carried on the equity method, whic
Company's equity in the underlying net assets of the partnership. Equity income or loss on partnership int
charged, as appropriate, to the Consolidated Statements of Income. For cost method investments, divi
recognized in earnings to the extent that they were distributed from the net accumulated earnings of the i
received in excess of the investee s net accumulated earnings are considered a return of investment
reductions of cost of the investment.

(I)

Property and Equipment

Property and equipment of $2,029,000 and $1,523,000 are included in other assets at December 3
respectively, net of accumulated depreciation and amortization of $3,348,000 and $6,255,000, respectively

Improvements are capitalized while repair and maintenance costs are charged to operations as incurre
property and equipment has been provided on the straight-line method over the estimated useful lives of th
Amortization of leasehold improvements has been provided on the straight-line method over the shorter
the estimated useful life of the asset.

(J)

Goodwill and Other Intangible Assets

Goodwill carrying amounts are evaluated for impairment, at least annually, at the reporting unit level that
operating segment. If the fair value of a reporting unit is less than its carrying amount, further evalua
determine if a write-down of goodwill is required. In determining the fair value of each reporting unit,
approach, applying a discounted cash flow method that included a residual value. Based on historical ex
assumptions as to: (i) expected future performance and future economic conditions, (ii) projected operatin

projected new and renewal business as well as profit margins on such business, and (iv) a discount rate t appropriate risk level for the reporting unit. Any impairment of goodwill would be charged to expense.

Other intangible assets are amortized to expense over their estimated useful lives and are subject to impa impairment of other intangible assets would be charged to expense.

(K)

Insurance Liabilities

Policy Benefits and Claims

The Company maintains loss reserves to cover its estimated liability for unpaid losses and loss adjustme material, including legal, other fees, and costs not associated with specific claims but related to the claims for reported and unreported claims incurred as of the end of each accounting period. These loss res actuarial assumptions and are maintained at levels that are in accordance with U.S. GAAP. Many factor reserves, including economic and social conditions, frequency and severity of claims, medical trend influences of underlying cost inflation, changes in utilization and demand for medical services, and char legal liability and damage awards in litigation. Therefore, the Company s reserves are necessarily assumptions and analysis of historical experience. The Company s results depend upon the variation be experience and the assumptions used in determining reserves and pricing products. Reserve assumpt require significant judgment and, therefore, are inherently uncertain. The Company cannot determine ultimate amounts that will be paid for actual claims or the timing of those payments. The Company represents management's best estimate of the Company's liability at the balance sheet date.

Loss reserves differ for short-duration and long-duration insurance policies, including annuities. Res approved actuarial methods, but necessarily include assumptions about expenses, mortality, morbidity, la yield on related investments.

All of the Company s short-duration contracts are generated from its accident, health, disability and pe and are accounted for based on actuarial estimates of the amount of loss inherent in that period s clai incurred for which claims have not been reported. Short-duration contract loss estimates rely on actuar ultimate loss experience for similar historical events.

Specialty Health

For the Specialty Health business, incurred but not reported (IBNR) claims liabilities plus expected de claims are calculated using standard actuarial methods and practices. The primary assumption in Specialty Health reserves is that historical Claim Development Patterns are representative of future C

Patterns. Factors that may affect this assumption include changes in claim payment processing times and p
in time delay in submission of claims, and the incidence of unusually large claims. Liabilities for policy
for specialty health medical and disability coverage are computed using completion factors and expect
derived from actual historical premium and claim data. The reserving analysis includes a review o
statistical measures and large claim early notifications; the potential impacts of any changes in these facto
The Company has business that is serviced by third-party administrators. From time to time, there are ch
of claims processing due to any number of factors including, but not limited to, system conversions ar
during the year. These changes are monitored by the Company and the effects of these changes are taken
during the claim reserving process. Other than these considerations, there have been no significant change
and assumptions from the prior year.

While these calculations are based on standard methodologies, they are estimates based on historical patt that actual claim payment patterns differ from historical patterns, such estimated reserves may be redund The effects of such deviations are evaluated by considering claim backlog statistics and reviewing the projected claim ratios. Other factors which may affect the accuracy of policy benefits and claim est proportion of large claims which may take longer to adjudicate, changes in billing patterns by providers an management practices such as hospital bill audits.

Disability

The Company s disability business is primarily comprised of New York short-term disability (DBL) ar

With respect to DBL, the liability for policy benefits and claims for the most recent quarter of earned pre using a Net Loss Ratio methodology. The Net Loss Ratio is determined by applying the completed pr historical Net Loss Ratios to the last quarter of earned premium. Policy benefits and claims associated earned prior to the last quarter are established using a completion factor methodology. The completion fa using the historical payment patterns for DBL. There have been no significant changes to methodologi from the prior year.

Policy benefits and claims for the Company s group disability products are developed using actu assumptions that consider, among other things, future offsets and recoveries, elimination periods, interest rehabilitation or mortality, incidence and termination rates based on the Company s experience. Th benefits and claims is made up of case reserves, IBNR and reopen reserves and Loss Adjustment Expe and reopen reserves are calculated by a hind-sight study, which takes historical experience and develo percentage of premiums from prior years.

The two primary assumptions on which group disability reserves are based are: (i) morbidity levels; an morbidity levels increase, for example due to an epidemic or a recessionary environment, the Compa reserves because there would be more new claims than expected. In regard to the assumed recovery ra recover more quickly than anticipated then the existing claims reserves would be reduced; if less quickly, reserves would be increased.

Due to the long-term nature of LTD, in establishing the liability for policy benefits and claims, the Co estimates for case reserves, IBNR, and reserves for LAE. Case reserves generally equal the actuarial p liability for future benefits to be paid on claims incurred as of the balance sheet date. The IBNR reserve i upon historical trends of existing incurred claims that were reported after the balance sheet date. T calculated based on an actuarial expense study. There have been no significant changes to methodologi from the prior year.

Medical Stop-Loss

Liabilities for policy benefits and claims on medical stop-loss coverage are computed using completion fa
Net Loss Ratios derived from actual historical premium and claim data. Policy benefits and claims for
insurance are more volatile in nature than those for specialty health medical insurance. This is primaril
nature of medical stop-loss, with very high deductibles applying to specific claims on any individual c
aggregate for a given group. The level of these deductibles makes it more difficult to predict the am
pattern of such claims. Furthermore, these excess claims are highly sensitive to changes in factors suc
provider contracts and medical treatment protocols, adding to the difficulty in predicting claim valu
reserves. Also, because medical stop-loss is in excess of an underlying

benefit plan, there is an additional layer of claim reporting and processing that can affect claim paymen
changes in the distribution of business by effective month can affect reserve estimates due to the timing o
and the time required to accumulate claims against the stop-loss deductible.

The two primary or key assumptions underlying the calculation of policy benefits and claims for Me
are (i) projected Net Loss Ratio, and (ii) claim development patterns. The projected Net Loss Ratio is se
consistent with the underlying assumptions (Projected Net Loss Ratio). Claim development patter
reserve estimates are developed and are based on recent claim development history (Claim Develop
Company uses the Projected Net Loss Ratio to establish reserves until developing losses provide a b
ultimate results and it is feasible to set reserves based on Claim Development Patterns. The Company h
reasonably likely change in the Projected Net Loss Ratio assumption could have a material effect on the C
condition, results of operations, or liquidity (Material Effect) but a reasonably likely change in the
Pattern would not have a Material Effect.

Projected Net Loss Ratio

Generally, during the first twelve months of an underwriting year, policy benefits and claims for Medical
set at the Projected Net Loss Ratio, which is set using assumptions developed using completed prior c
forward. The Projected Net Loss Ratio is the Company s best estimate of future performance until such
losses provide a better indication of ultimate results.

Major factors that affect the Projected Net Loss Ratio assumption in reserving for Medical Stop-Loss rela
and severity of claims; (ii) changes in medical trend resulting from the influences of underlying cost in
utilization and demand for medical services, the impact of new medical technology and changes in
protocols; and (iii) the adherence to the Company s underwriting guidelines.

Claim Development Patterns

Subsequent to the first twelve months of an underwriting year, the Company s developing losses provide
ultimate losses. At this point, claims have developed to a level where Claim Development Patterns can be
reasonably reliable estimates of ultimate claim levels. Development factors based on historical patterns
and reported claims to estimate fully developed claims. Claim Development Patterns are reviewed q
estimates are developed and are based on recent claim development history. The Company must determi
in development represent true indications of emerging experience or are simply due to random claim fluct

The Company also establishes its best estimates of claim development factors to be applied to more de
experience. While these factors are based on historical Claim Development Patterns, actual claim dev

from these estimates.

Predicting ultimate claims and estimating reserves in Medical Stop-Loss is more complex than specialty
disability business due to the excess of loss nature of these products with very high deductibles applyin
any individual claimant and in the aggregate for a given group. The level of these deductibles makes
predict the amount and payment pattern of such claims. Fluctuations in results for specific coverage are p
severity and frequency of individual claims, whereas fluctuations in aggregate coverage are largely attrib
of underlying claims rather than severity. Liabilities for first dollar medical reserves and

disability coverages are computed using completion factors and expected Net Loss Ratios derived fro
premium and claim data.

Due to the short-term nature of Medical Stop-Loss, redundancies or deficiencies will typically emerge d
the following year rather than over a number of years. For Medical Stop-Loss, as noted above, the Con
reserves based on underlying assumptions until it determines that an adjustment is appropriate based on e
from all of its prior underwriting years.

Management believes that the Company's methods of estimating the liabilities for policy benefits an
appropriate levels of reserves at December 31, 2016. Changes in the Company's policy benefits and cl
generally recorded through a charge or credit to its earnings. There have been no significant changes to
assumptions from the prior year.

Future Policy Benefits

The liability for future policy benefits consists of the liabilities related to insured events for the Comp
contracts, primarily its life and annuity products. For traditional life insurance products, the Company co
for future policy benefits primarily using the net premium method based on anticipated investment yi
withdrawals. These methods are widely used in the life insurance industry to estimate the liabilities for fut
Inherent in these calculations are management and actuarial judgments and estimates that could signi
ending reserve liabilities and, consequently, operating results. Actual results may differ, and these estin
interpretation and change.

Management believes that the Company's methods of estimating the liabilities for future policy benefits p
levels of reserves at December 31, 2016. Changes in the Company's future policy benefits estimates are
charge or credit to its earnings.

Funds on Deposit

Funds received (net of mortality and expense charges) for certain long-duration contracts (principally def
universal life policies) are credited directly to a policyholder liability account, funds on deposit. Withdr
directly as a reduction of respective policyholders' funds on deposit. Amounts on deposit were credi
ranging from 3.0% to 6.0% in 2016, 3.0% to 7.0% in 2015, and 3.0% to 8.0% in 2014.

Other Policyholders Funds

Other policyholders funds represent interest-bearing liabilities arising from the sale of products, su
interest-sensitive life and annuities. Policyholder funds are primarily comprised of deposits received and
the benefit of the policyholder less surrenders and withdrawals, mortality charges and administrative expe

Interest credited to policyholder funds represents interest accrued or paid on interest-sensitive life polic
policies. These amounts are reported in insurance benefits, claims and reserves on the Consolidated Sta
Credit rates for certain annuities and interest-sensitive life policies are adjusted periodically by the C
current market conditions, subject to contractually guaranteed minimum rates.

(L)

Deferred Income Taxes

The provision for deferred income taxes is based on the asset and liability method of accounting for incon
method, deferred income taxes are recognized by applying enacted statutory tax rates to temporary d
amounts reported in the Consolidated Financial Statements and the tax bases of existing assets and liabil
which those temporary differences are expected to be recovered or settled. A valuation allowance is
portion of deferred tax assets that, in management's judgment, is not likely to be realized. A liabilit
positions is recorded when it is more likely than not that a tax position will not be sustained upon exa
authorities. The effect on deferred income taxes of a change in tax rates or laws is recognized in income
period that includes the enactment date.

Interest and penalties are classified as other interest expense and are included in selling, general and admi
in the Consolidated Statements of Income.

(M)

Reinsurance

Amounts paid for or recoverable under reinsurance contracts are included in total assets or total liab
reinsurers or due to reinsurers. The cost of reinsurance related to long-duration contracts is accounted for
underlying reinsured policies using assumptions consistent with those used to account for the underlying p

(N)

Insurance Premium Revenue Recognition and Policy Charges

Premiums from short-duration medical insurance contracts are intended to cover expected claim costs res
events that occur during a fixed period of short duration. The Company has the ability to not renew the c
the premium rates at the end of each annual contract period to cover future insured events. Insurance pre
health contracts are collected monthly and are recognized as revenue evenly as insurance protection is pro

Premiums related to long-term and short-term disability contracts are recognized on a pro rata basis c
contract term.

Traditional life insurance products consist principally of products with fixed and guaranteed prem
primarily term and whole life insurance products. Revenue from these products are recognized as premiu

Annuities and interest-sensitive life contracts, such as universal life and interest sensitive whole life, a
terms are not fixed and guaranteed. Premiums from these policies are reported as funds on deposit. Policy
fees assessed against the policyholder for cost of insurance (mortality risk), policy administration and earl
revenues are recognized when assessed against the policyholder account balance.

Policies that do not subject the Company to significant risk arising from mortality or morbidity are con
contracts. Deposits received for such contracts are reported as other policyholder funds. Policy char
contracts consist of fees assessed against the policyholder account for maintenance, administration an
policy prior to contractually specified dates, and are recognized when assessed against the policyholder ac

(O)

Income Per Common Share

Income per common share is computed using the treasury stock method.

(P)

Share-Based Compensation

Compensation costs for equity awards, such as stock options and non-vested restricted stock, are m
grant-date fair value and are recognized in the Consolidated Statements of Income over the requisite servi
usually the vesting period). For such awards with only service conditions, the Company recognizes the co
a straight-line basis over the requisite service period for the entire award.

Compensation costs for liability-classified awards, such as share appreciation rights (SARs), are meas
reporting period in the Consolidated Statements of Income as the requisite service or performance conditio

(Q)

Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In September 2015, the Financial Accounting Standards Board (FASB) issued guidance to simpli
adjustments made to provisional amounts recognized in a business combination and eliminated t
retrospectively account for those adjustments. The adoption of this guidance did not have a material effec
consolidated financial statements.

In February 2015, the FASB issued guidance that modifies the evaluation of whether limited partnership
entities are variable interest entities or voting interest entities for the purpose of consolidation. The adopti
did not have a material effect on the Company s consolidated financial statements.

In May 2015, the FASB issued guidance requiring additional disclosures for short-duration contracts reg
for unpaid claims and claim adjustment expenses. The adoption of this guidance did not have a mat
Company s consolidated financial statements.

In June 2014, the FASB issued explicit guidance for entities that grant their employees share-based pay
terms of the award include a performance target that affects vesting and could be achieved after the requi

The adoption of this guidance did not have a material effect on the Company s consolidated financial sta

Recently Issued Accounting Standards Not Yet Adopted

In January 2017, the FASB issued guidance to simplify the test for goodwill impairment by elimin
goodwill impairment test. Instead, under the amendments in this Update, an entity should perform its
goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An enti
an impairment charge for the amount by which the carrying amount exceeds the reporting unit s fair va
entity should consider income tax effects from any tax-deductible goodwill on the carrying amount o
when measuring the goodwill impairment loss, if applicable. The amendments in this guidance are e
business entities for annual, or any interim, goodwill impairment tests in fiscal years beginning after Dece
adoption of this guidance is not expected to have a material effect on the Company s consolidated financi

In January 2017, the FASB issued guidance that changes the definition of a business to assist entities wit
set of transferred assets and activities is a business. The amendments in this guidance should be appli
annual periods beginning after December 15, 2017, including interim periods within those periods, v
permitted. The adoption of this

guidance is not expected to have a material effect on the Company s consolidated financial statements.

In November 2016, the FASB issued guidance requiring entities to show the changes in the total cash
restricted cash and restricted cash equivalent in the statement of cash flows. The amendments in this g
applied retrospectively and is effective for public business entities for fiscal years beginning after Decer
interim periods within those fiscal years, with early adoption permitted. The adoption of this guidance is n
a material effect on the Company s consolidated financial statements.

In October 2016, the FASB issued guidance that amends the consolidation analysis for a reporting enti
decision maker of a variable interest entity. The amendments in this guidance require the decision make
interests held through related parties that are under common control on a proportionate basis rather th
when determining whether it is the primary beneficiary of that variable interest entity. The amendments
effective for public business entities for fiscal years beginning after December 15, 2016, including inte
those fiscal years with early adoption permitted. The adoption of this guidance is not expected to have a
the Company s consolidated financial statements.

In October 2016, the FASB issued guidance requiring an entity to recognize the income tax consequence
transfer of an asset other than inventory when the transfer occurs. The amendments in this guidance sho
modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of th
period of adoption and are effective for annual reporting periods beginning after December 15, 2017
reporting periods within those annual reporting periods. The adoption of this guidance is not expected
effect on the Company s consolidated financial statements.

In August 2016, the FASB issued guidance that changes how certain cash receipts and cash payments
classified in the cash flows statement. The amendments in this Update are effective for annual perio
December 15, 2017, and interim periods within those annual periods. The adoption of this guidance is not
material effect on the Company s consolidated financial statements.

In June 2016, the FASB issued guidance requiring financial assets measured at amortized cost basis to be
amount expected to be collected. An allowance for credit losses will be deducted from the amortized cost
net carrying value at the amount expected to be collected with changes in the allowance recorded in earn
relating to available-for-sale debt securities will also be recorded through an allowance for credit los
currently applied U.S. GAAP method of taking a permanent impairment of the security, which woul
amount by which fair value is below the amortized cost. Certain existing requirements used to evaluate
been removed. For public entities that are SEC filers, the amendments in this Update are effective for fisc
after December 15, 2019, including interim periods within those years. Early adoption is permitted for fis
after December 15, 2018. The amendments in this guidance should be applied through a cumulative e
retained earnings upon adoption as of the beginning of the first reporting period in which the guid
Management is evaluating the requirements and potential impact that the adoption of this guidanc
Company s consolidated financial statements.

In March 2016, the FASB issued guidance that simplify several aspects of accounting for share-based pa
including the income tax consequences, classification of awards as either equity or liabilities, and cl
statement of cash flows. The amendments in this guidance are effective for annual periods beginning a
2016, and interim periods within those annual periods. The adoption of this guidance is not expected to ha
on the Company s consolidated financial statements.

In March 2016, the FASB issued guidance that eliminates the requirement for retroactive adjustments
previously held investment qualifies for the equity method of accounting as a result of an increase in ov
degree of influence. The amendments in this guidance are effective for fiscal years, and interim periods
years, beginning after December 15, 2016 and should be applied prospectively upon their effective date. T
guidance is not expected to have a material effect on the Company s consolidated financial statements.

In February 2016, the FASB issued guidance that requires lessees to recognize the assets and liabilities tha
including operating leases, on the statement of financial position. The amendments in this guidance are
years beginning after December 31, 2018, including interim periods within those fiscal years, using a mo
approach. The adoption of this guidance is not expected to have a material effect on the Company s co
statements.

In January 2016, the FASB issued guidance that eliminates the requirement to classify equity secu
determinable fair values as trading or available-for-sale. The guidance requires equity securities, other th
in consolidation or are accounted for under the equity method, (including other ownership interests, su
unincorporated joint ventures, and limited liability companies) to be measured at fair value with chang
recognized through net income, simplifies the impairment assessment of equity securities without readil
values and requires changes in disclosure requirements. For public entities, the amendments in this Upda
fiscal years beginning after December 15, 2017, including interim periods within those fiscal years
permitted in certain circumstances. The amendments in this Update should be applied by means of a
adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendment
securities without readily determinable fair values (including disclosure requirements) should be appli
equity investments that exist as of the date of adoption of the guidance. The adoption of this guidance is n
a material effect on the Company s Consolidated Balance Sheet or IHC s stockholders equity.

In May 2014, the FASB issued revenue recognition guidance for entities that either enter into contracts
transfer goods or services or enter into contracts for the transfer of nonfinancial assets unless those cont
scope of other standards such as insurance contracts or lease contracts. The amendment provides specific
should apply in order to achieve its main objective which is recognizing revenue to depict the transfer of
services to customers in an amount that reflects the consideration to which the entity expects to be entit
those goods or services. In 2016, additional guidance and technical corrections were issued to clarify ce
implementation guidance and to clarify the identification of performance obligations. In August 2015, t
this guidance has been deferred. For public entities, this guidance is effective for annual reporting perio
December 15, 2017, including interim periods within that reporting period, and requires one of two spe
methods of application. Earlier application is permitted only as of annual reporting periods beginning a
2016, including interim reporting periods within that reporting period. The Company anticipates that an
relate to contracts with customers outside the scope of Accounting Standards Codification Topic 944, *F*
Insurance. Our administrative and other service contracts that will be subject to the amendments in this U
in the Fee Income line item of the Consolidated Statement of Income and represents approximately 5% o
revenues for the year ended December 31, 2016. Management is still in the process of evaluating the impa
of this guidance will have on the Company s consolidated financial statements and the method of ad
ultimately choose.

Note 2.

Income Per Common Share

Included in the diluted earnings per share calculation for 2016, 2015 and 2014 are 217,000, 170,0
incremental common shares, respectively, primarily from the dilutive effect of share-based payment awar

The following is a reconciliation of income available to common shareholders used to calculate incom
periods indicated (in thousands):

		2016		2015		201
Income from continuing operations, net of tax	$	22,510	$	27,974	$	15
Less: Income from continuing operations attributable to noncontrolling interests		(458)		(405)		(
Income from continuing operations attributable to IHC common shareholders	$	22,052	$	27,569	$	14
Income from discontinued operations, net of tax	$	110,804	$	2,548	$	1
Less: Income from discontinued operations attributable to noncontrolling interests		(9,558)		(173)		(
Income from discontinued operations attributable to IHC common shareholders	$	101,246	$	2,375	$	1
Net income attributable to IHC	$	123,298	$	29,944	$	16

Note 3.

Discontinued Operations

On March 31, 2016, IHC and a subsidiary of AMIC sold the stock of Risk Solutions to Swiss Re Cor
division of Swiss Re (Swiss Re). In addition, under the purchase and sale agreement, all of the in-forc
Standard Security Life and Independence American produced by Risk Solutions is co-insured by W
Corporation (Westport), Swiss Re s largest US carrier, as of January 1, 2016. The aggrega
$152,500,000 in cash, subject to adjustments and settlements. Approximately 89% of the purchase pri
AMIC and its subsidiaries, with the balance being paid to Standard Security Life and other IHC subsidia
recorded a gain of $100,819,000, net of taxes and amounts attributable to noncontrolling interests
transaction. The aforementioned transaction, which includes the sale of Risk Solutions and the correspo
agreement, is collectively referred to as the Risk Solutions Sale and Coinsurance Transaction . IH

Stop-Loss business is in run-off. The sale of Risk Solutions and exit from the medical stop-loss bus
strategic shift that will have a major effect on the Company s operations and financial results. The
qualified for reporting as discontinued operations in the first quarter of 2016 as a result of the B
commitment to a plan for its disposal in January 2016. Aside from reinsurance and marketing of We
stop-loss, there will be no further involvement with the discontinued operation.

The following is a reconciliation of the major line items constituting the pretax profit of discontinued oper
adjustments for amounts previously eliminated in consolidation, for the periods indicated (in thousands):

		2016	2015	2014
Revenue	$	6,406$	2,373 $	3,585
Selling, general and administrative expenses		5,689	(1,937)	1,402
Pretax profit of discontinued operations		717	4,310	2,183
Gain on disposal of discontinued operations, pretax		116,900	-	-
Income from discontinued operations, before income taxes		117,617	4,310	2,183
Income taxes on discontinued operations		6,813	1,762	283
Income from discontinued operations, net of tax	$	110,804$	2,548 $	1,900

The following is a reconciliation of the carrying amounts of major classes of assets and liabilitie
operations, including adjustments for amounts previously eliminated in consolidation, for the pe
thousands):

		December 31, 2016	201
Major classes of assets included in discontinued operations:			
Cash	$	-$	
Goodwill		-	
Intangible assets		-	
Other assets		-	
Assets attributable to discontinued operations	$	-$	1
Major classes of liabilities included in discontinued operations:			
Accounts payable and accrued liabilities	$	68$	
Liabilities attributable to discontinued operations	$	68$	

Total operating cash flows from discontinued operations for 2016, 2015 and 2014 were $0, $128,00
respectively. Total investing cash flows from discontinued operations for 2016, 2015 and 2014 were
$(154,000), respectively. In 2016, the Company elected to classify the proceeds received from the sa
operations in the investing activities section of the Consolidated Statement of Cash Flows.

In connection with the Risk Solutions Sale and Coinsurance Transaction in March 2016, AMIC utilized a
of its Federal NOL carryforwards and made a corresponding adjustment to its valuation allowance (
consolidated basis, the Company recorded income taxes on discontinued operations of $6,813,000
December 31, 2016, consisting of $3,819,000 of state income taxes and $2,994,000 of Federal taxes. Fe
differ from applying the Federal statutory income tax rate of 35% to pretax income from discontinued op
as the result of tax benefits from state income taxes and AMIC s $38,169,000 decrease in its valuation al
provision from limits on compensation deductions.

Note 4.

Investment Securities

The cost (amortized cost with respect to certain fixed maturities), gross unrealized gains, gross unreali
value of investment securities are as follows for the periods indicated (in thousands):

	December 31, 2016		
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES
FIXED MATURITIES AVAILABLE-FOR-SALE:			