

IHC Announces Scaling Up of Tech-Enabled and Senior Market Initiatives and Significant Expansion of Distribution Channels for Its Pet Insurance

January 30, 2020

STAMFORD, Conn., Jan. 30, 2020 (GLOBE NEWSWIRE) -- Independence Holding Company (NYSE: IHC) today announced its ramping up of initiatives for the tech-enabled and senior market and expansion of its pet insurance distribution channels.

Roy T. K. Thung, Chief Executive Officer of IHC, commented, "As we enter a new decade, we would like to update you as to our focus for 2020 and beyond. In order to maximize our ability to serve consumers seeking pet insurance or supplemental health insurance (whether for seniors or those under age 65), we have reorganized our Specialty Benefits segment into specialty health and pet divisions. The health division is comprised of (i) our traditional distribution through independent agents and national accounts, which we now call Independence Brokerage Group, Inc. ("IBG") and (ii) our tech-enabled distribution through IHC Specialty Benefits, Inc., our lead generation domains (www.healthinsurance.org, www.medicareresources.org, and www.petplace.com), our investment in a lead generation company, and our transactional websites. The pet division is comprised of PetPartners, Inc. ("PetPartners"), www.petplace.com, www.mypetinsurance.com, and our independent distribution channels. Independence American Insurance Company ("IAIC"), a wholly owned subsidiary of IHC, takes the risk on the pet insurance and many of the specialty health products sold by these divisions, but our agencies also sell life and health products from other insurance companies for which they earn commissions. Our proprietary platforms are designed to support multiple carriers and products, and we are recognized by the industry for our speed to market with innovative new products.

Specialty Health Division. During the past two years, we have successfully invested both our capital and efforts in improving our overall infrastructure, lead generation capabilities, sales automation platforms, and presence in the Direct-to-Consumer ("D2C") space. These efforts have paid off, especially as it relates to our entry into the senior market arena. The following are the highlights of some of our recent accomplishments and our plan for 2020 and beyond:

- We successfully inaugurated our marketing of senior products during the 2020 Annual Enrollment Period ("AEP") through the sale of Medicare Advantage and Medicare Supplement from which we earned commission income. While our call center launched with a small number of agents, we now have 30 licensed call center agents selling senior products, and we plan to scale up to at least 150 licensed agents by the 2021 AEP. We intend to continue to accelerate this growth in future years as the demand for these products is clear. This is a very large market with 60 million Medicare eligible beneficiaries today, and an estimated 81 million by 2030, as 10,000 per day turn age 65.¹ Today, we are primarily selling senior products from other carriers, but in the second quarter of this year IAIC intends to launch its own Medicare Supplement product as well as dental, vision and hospital indemnity designed for the senior market. We will also be looking to import other products to our platforms, including final expense and short-term care. One of our advantages is that we serve both the senior and non-senior markets. In fact, our Extend Short-Term Medical product (which provides up to 36 months of coverage in many states) is a valuable gap-filler for people who are approaching age 65 by bridging the gap until they are eligible for Medicare. We are well positioned to serve these consumers as they transition to the senior market.
- In 2019, we significantly expanded our career advisors division by bringing in a new management team. These 1099 agents sell exclusively on the platform that we provide them, which provides a full complement of both in-house and third-party products in both the senior and non-senior markets. As a result, we are now up to 150 licensed agents, and anticipate having 300 agents in seven offices nationally by the end of 2020.
- In order to provide enough leads for this growing sales force, we are making significant investments in our lead generation and artificial intelligence capabilities, which will enhance our ability to identify consumer intent and improve conversion rates. With a focus on the senior market, we are continuing to acquire and invest in high value domains, as we emphasize online sales via our D2C web portals. Our deployed websites already drive heavy online traffic, and we expect volume to increase significantly as we re-launch these properties, including www.healthinsurance.org and www.medicareresources.org. We also have a growing presence with affinity groups that desire to offer our products to their members, including serving USAA members seeking to purchase non-senior health insurance.
- With respect to our independent brokerage channels, IBG distributes through over 14,000 independent producers contracted with IAIC through general agencies, call centers and national accounts. We also service independent brokers through My1HR, our Web Based Entity ("WBE"), which operates under the INSX Cloud platform and provides quoting and cloud based enrollment solutions to carriers and independent agents. This platform, which allows independent agents to enroll consumers in both on and off-exchange Affordable Care Act ("ACA") compliant plans as well make supplemental health products from IAIC and other carriers readily available, was one of only 27 WBEs in the country in 2019. In addition to generating ancillary health sales for IAIC, we earn fees for providing agents access to the platform. During the 2020 Open Enrollment Period ("OEP"), this platform was utilized by more than 2,000 independent agents who enrolled more than 225,000 cases. My1HR was named a 2020 Marketplace Innovator by the Centers for Medicare and Medicaid Services. Our goal is to double the number of agents using this platform by the 2021 OEP.

Pet Insurance Division. We believe this division will be generating at least \$100 million of gross annualized pet insurance premiums by the end of

2020 with accelerating growth beyond. The following are the highlights of some of our recent accomplishments and our plan for 2020 and the future:

- We are pleased to announce that we now own a five percent equity interest in Figo Pet Insurance (“Figo”). We are the exclusive underwriter of pet insurance for Figo, and it has been recognized as the #1 InsureTech company for pet insurance by A.M Best’s Review.² Figo is expected to soon announce that it will begin underwriting pet insurance for a nationally recognized health insurer as a result of a marketing agreement recently struck between those companies. Through this relationship, Figo expects to make IAIC’s pet insurance available as a benefit option to such carrier’s business customers and their millions of employees. MetLife, which recently acquired PetFirst Healthcare (“PetFirst”), has also announced that it expects to focus on pet insurance as an employee benefit. Since IAIC is also a leading underwriter for PetFirst, we anticipate that IAIC will become a leading issuer of pet insurance in this rapidly expanding space.
- We are also continuing to acquire and invest in high value domains for pet insurance, as we emphasize online sales via our D2C web portal. We are gratified to announce that since its redesign, www.petplace.com is now reaching in excess of 18,000 users per day, which is an almost forty percent increase since its relaunch. Those interested in purchasing pet insurance are now redirected to our aggregator, www.mypetinsurance.com, where they can select from several brands. During the first quarter of this year, we expect to launch both an Android and an IOS app for the purchase of pet insurance through www.mypetinsurance.com.
- PetPartners, our subsidiary that markets and administers pet insurance for IAIC, continues to grow through its exclusive relationship with The American Kennel Club and through new partnerships with insurance agents, employers and affinity groups. PetPartners has entered into agreements with, and is in discussions with several more, national brands to distribute our pet insurance.

In summary, IHC owns several agencies that collectively have a growing block of over \$200 million of premiums for IHC’s carriers as well as earning commissions on a significant amount of premiums written with other carriers. We have invested, and will continue to deploy, significant resources to build an infrastructure that: (i) markets to both the senior and non-senior consumers, (ii) offers platforms for both IHC and non-affiliated carrier products, (iii) is readily scalable, and (iv) provides the expertise to bring products to market in a nimble and compliant manner. The work we have completed has positioned us for the ramp up we are now experiencing as well as our anticipated accelerated growth for years to come.

The cost involved in hiring, training and licensing a significant number of new agents for both the call centers and advisors will result in a loss for this division during the first three quarters of this year and will put some pressure on IHC’s earnings from its other operations. However, we expect a significant increase in earnings in the fourth quarter of this year since we estimate that approximately fifty percent of Medicare Advantage and Medicare Supplement business is sold during AEP. The agency’s margin on this business is also significantly better due to higher conversion rates. As we make these investments in our future, we are fortunate that we have significant excess capital, are highly liquid, have no debt, and IAIC continues to produce high margins on its insurance premiums. We will accelerate our scale up in these markets in future years, and by doing so we are confident that that we are driving significant earnings and shareholder value.”

About The IHC Group

Independence Holding Company (NYSE:IHC), formed in 1980, is a holding company that is principally engaged in underwriting, administering and/or distributing group and individual specialty benefit products, including disability, supplemental health, pet, and group life insurance through its subsidiaries (Independence Holding Company and its subsidiaries collectively referred to as “The IHC Group”). The IHC Group consists of three insurance companies (Standard Security Life Insurance Company of New York, Madison National Life Insurance Company, Inc. and Independence American Insurance Company). We also have three agencies: (i) Pet Partners Inc., our pet insurance administrator; (ii) IHC Specialty Benefits, Inc., a technology-driven full-service marketing and distribution agency that focuses on small employer and individual consumer products through its call center, advisors, and brokerage channel; and (iii) The INSX Cloud Platform through My1HR, our wholly owned Web Based Entity. IHC also owns the following domains: www.healthdeals.com; www.heathinsurance.org; www.medicareresources.org; and www.petplace.com.

Forward-looking Statements

Certain statements and information contained in this release may be considered “forward-looking statements,” such as statements relating to management’s views with respect to future events and financial performance. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical experience or from future results expressed or implied by such forward-looking statements. Potential risks and uncertainties include, but are not limited to, economic conditions in the markets in which IHC operates, new federal or state governmental regulation, IHC’s ability to effectively operate, integrate and leverage any past or future strategic acquisition, and other factors which can be found in IHC’s other news releases and filings with the Securities and Exchange Commission. IHC expressly disclaims any duty to update its forward-looking statements unless required by applicable law.

¹ The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds

² *A.M. Best, Best’s Review, “Agents of Change” January 2017, pages 62, 71:

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Source: Independence Holding Company