



AM Best Places Credit Ratings of Independence Holding Company and Its Subsidiaries Under Review With Developing Implications

May 19, 2021

OLDWICK, N.J.--(BUSINESS WIRE)--May 19, 2021-- **AM Best** has placed under review with developing implications the Financial Strength Rating (FSR) of A- (Excellent) and the Long-Term Issuer Credit Ratings (Long-Term ICR) of "a-" (Excellent) of Independence American Insurance Company (IAIC) (Wilmington, DE) and Madison National Life Insurance Company (Madison National) (Madison, WI). IAIC and Madison National are insurance subsidiaries of Independence Holding Company (headquartered in Stamford, CT) [NYSE: IHC], and collectively are referred to as Independence Holding Company Group. Concurrently, AM Best has placed under review with developing implications the Long-Term ICR of "bbb-" (Good) of Independence Holding Company.

This rating action follows the announcement that IHC has signed a definitive stock purchase agreement to sell a 70% controlling interest in its pet division and in the stock of IAIC, its interest in Pet Partners, Inc (Pet Partners) and other related pet assets to a subsidiary of Iguana Capital Inc., for the purchase price of \$265 million in cash and a 30% interest in Iguana Capital Inc. AM Best notes this is the second announcement by IHC of a sale of a portion of its insurance operations, following the announced sale of Standard Security Life Insurance Company of New York (SSL) in April 2021 (see previous [press release](#)).

Included in this transaction is the 85% interest that IHC holds in Pet Partners, a distribution network that works with the American Kennel Club. The American Kennel Club holds the remaining 15% stake in Pet Partners. IAIC primarily provides specialty accident and health products, as well as pet insurance coverage to commercial customers. Following this transaction, the specialty health business will continue to be written with IAIC through year-end 2022. As with the SSL agreement, it is anticipated that the specialty accident and health business will be reinsured out of IAIC sometime following the closing. While the Pet Partners transaction is anticipated to close by the end of the second quarter, the IAIC portion of the transaction is expected to close following regulatory approval, estimated by management to occur by late third-quarter 2021.

The pet insurance business has experienced significant growth over the past few years. In 2020, IAIC reported \$87 million of pet insurance net premiums written, or nearly half of its total net premium written, which has been contributing favorably to earnings. Given the recent divestiture by IHC of SSL, AM Best feels that after this latest transaction, the geographic, revenue and earnings diversification of IHC will become significantly more concentrated, and post-close, IHC will become mostly a niche-focused group life writer through its Madison National subsidiary. AM Best will continue to monitor and communicate with IHC as the transaction progresses. The ratings will remain under review until the transaction closes, subject to usual regulatory approvals.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best's Credit Ratings](#). For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view [Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases](#).

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