

INDEPENDENCE HOLDING CO  
Form DEF 14A  
October 03, 2018

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

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

Filed by the Registrant  x

Filed by a Party other than the Registrant  "

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**INDEPENDENCE HOLDING COMPANY**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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**INDEPENDENCE HOLDING COMPANY**

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

To Be Held on November 12, 2018

Dear Stockholders:

We cordially invite you to attend the 2018 Annual Meeting of Stockholders (“2018 Annual Meeting” or “Annual Meeting”) of Independence Holding Company (“IHC” or the “Company”). Our 2018 Annual Meeting will be held on Monday, November 12, 2018 at 10:00 a.m. Eastern and will be our fifth completely virtual meeting of stockholders. You will be able to attend the 2018 Annual Meeting, vote, and submit your questions during the meeting via live webcast by visiting [www.virtualshareholdermeeting.com/IHC2018](http://www.virtualshareholdermeeting.com/IHC2018). To enter the meeting, you must have your sixteen-digit control number that is shown on the proxy card accompanying this Proxy Statement. You will not be able to attend the Annual Meeting in person.

Details regarding logging onto and attending the meeting over the website and the business to be conducted are described in the Proxy Card included with this Proxy Statement. We have also made available a copy of our 2017 Annual Report with this Proxy Statement. We encourage you to read our Annual Report. It includes our audited financial statements and provides information about our business and products.

The purpose of the meeting is to:

1. elect nine directors, each for a term of one year;
2. ratify the appointment of RSM US LLP as IHC’s independent registered public accounting firm for the fiscal year ending December 31, 2018; and

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

Only stockholders of record at the close of business on September 17, 2018 may vote at the meeting or any postponements or adjournments of the meeting.

By order of the Board of Directors,

Loan Nisser  
*Vice President – Legal and Secretary*

October 1, 2018

**HOW TO VOTE: Your vote is important. Whether or not you plan to attend the meeting, we hope you will vote as soon as possible. You may vote over the Internet, as well as by telephone or, if you requested to receive printed proxy materials, by mailing a proxy or voting instruction card. Please review the instructions on each of your voting options described in this Proxy Statement as well as in the proxy card. Your vote is important, no matter how many shares you owned on the record date. A return envelope is enclosed for your convenience and needs no postage if mailed in the United States.**

**2018 PROXY STATEMENT**

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**INDEPENDENCE HOLDING COMPANY**

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**Stamford, Connecticut 06902**

**(203) 358-8000**

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

**2018 PROXY STATEMENT**

The Board of Directors (the “Board”) of Independence Holding Company (“IHC”) is furnishing you this proxy statement in connection with the solicitation of proxies on its behalf for the 2018 Annual Meeting of Stockholders to be held via live webcast on the Internet at [www.virtualshareholdermeeting.com/IHC2018](http://www.virtualshareholdermeeting.com/IHC2018). The meeting will take place on Monday, November 12, 2018 at 10:00 a.m. Eastern.

At the online meeting, stockholders will vote on the following proposals:

1. elect nine directors, each for a term of one year;
2. ratify the appointment of RSM US LLP as IHC’s independent registered public accounting firm for the fiscal year ending December 31, 2018; and
3. transact any other business that may properly come before the meeting.

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

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

IHC's 2017 Annual Report, which includes IHC's audited financial statements, is being made available to IHC's stockholders concurrently herewith (the "Annual Report"). Although the Annual Report is being made available concurrently with this proxy statement, it does not constitute a part of the proxy solicitation materials and is not incorporated by reference into this proxy statement.

We are first sending the proxy statement, form of proxy and accompanying materials to stockholders on or about October 3, 2018.

We will be hosting the 2018 Annual Meeting live via the Internet. A summary of the information you need to attend the meeting online is provided below:

· Any stockholder can attend the 2018 Annual Meeting live via the Internet at [www.virtualshareholdermeeting.com/IHC2018](http://www.virtualshareholdermeeting.com/IHC2018);

· Webcast starts at 10:00 a.m. Eastern;

· Stockholders may vote and submit questions while attending the 2018 Annual Meeting on the Internet; and

· Stockholders need a sixteen-digit control number to join the 2018 Annual Meeting.

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

## INFORMATION ABOUT THE ANNUAL MEETING OF STOCKHOLDERS

What is the purpose of the 2018 Annual Meeting and why is it being held over the Internet?

At the 2018 Annual Meeting, the stockholders will be asked to:

1. elect nine directors, each for a term of one year;
2. ratify the appointment of RSM US LLP as IHC's independent registered public accounting firm for the fiscal year ending December 31, 2018; and
3. transact any other business that may properly come before the meeting.

The 2018 Annual Meeting is being held on a virtual-only basis in order to reach the broadest number of stockholders possible and to save costs relative to holding a physical meeting. A number of prominent publicly-traded Delaware companies have held virtual-only meetings.

Who is entitled to vote?

The record date for the meeting is September 17, 2018. Only stockholders of record at the close of business on that date are entitled to vote at the meeting. The only class of stock entitled to be voted at the meeting is IHC common stock. Each outstanding share of common stock is entitled to one vote for all matters before the meeting. At the close of business on the record date, there were 14,804,662 shares of IHC common stock outstanding.

### How do I vote by proxy?

If you properly complete, sign and date the accompanying proxy card or voting instruction card and return it in the enclosed envelope, it will be available for examination on the Internet through the virtual web conference during the annual meeting.

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

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

If your shares are held by a bank, brokerage firm, trustee or other nominee, you are considered the “beneficial owner” of shares held in “street name.” If your shares are held in street name, the proxy materials are being made available to you by your bank, brokerage firm, trustee or other nominee (the “record holder”), along with voting instructions. As the beneficial owner, you have the right to direct your record holder how to vote your shares, and the record holder is required to vote your shares in accordance with your instructions. If you do not give instructions to your record holder, it will nevertheless be entitled to vote your shares in its discretion on the ratification of the appointment of the independent registered public accounting firm (Proposal 2), but not on the election of directors (Proposal 1).

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

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

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

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

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

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

The Company will be hosting the 2018 annual meeting live online. You can attend the 2018 annual meeting live online at [www.virtualshareholdermeeting.com/IHC2018](http://www.virtualshareholdermeeting.com/IHC2018). The webcast will start at 10:00 a.m. Eastern. You may vote and submit questions while attending the meeting online. You will need the sixteen-digit control number included on your proxy card in order to be able to enter the meeting.

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

Shares held in your name as the stockholder of record may be voted by you, while the polls remain open, at [www.virtualshareholdermeeting.com/IHC2018](http://www.virtualshareholdermeeting.com/IHC2018) during the meeting. You will need your sixteen-digit control number found in the proxy card. Shares held beneficially in street name may be voted by you at the meeting only if you obtain a legal proxy from the brokerage firm, bank, trustee or other nominee that holds your shares giving you the right to vote the shares. Even if you plan to attend the online meeting, we recommend that you also submit your proxy or voting instructions as described below so that your vote will be counted if you later decide not to attend the online meeting.

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

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the online meeting. If you are a stockholder of record, you may vote by proxy. You can vote by proxy over the Internet or telephone by following the instructions provided on the proxy card. If you hold shares beneficially in street name, you may also vote by proxy over the Internet, telephone or by mail by following the voting instruction card provided to you by your brokerage firm, bank, trustee or other nominee.

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

Proxies submitted electronically or by telephone as described above must be received by 11:59 pm Eastern on November 11, 2018. Proxies submitted by mail should be received before 10:00 a.m. Eastern on November 11, 2018.

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

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

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

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

Will my vote be kept confidential?

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

- required by law;
- you expressly request disclosure on your proxy; or
- there is a proxy contest.

Who will count the votes?

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

How does the Board recommend I vote on the proposals?

The Board recommends that you vote:

- FOR the election of the nine nominees to the Board; and
- FOR the ratification of the appointment of RSM US LLP as IHC's independent registered public accounting firm for the fiscal year ending December 31, 2018.

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

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

- FOR the election of the nine nominees to the Board; and
  
- FOR the ratification of the appointment of RSM US LLP as IHC's independent registered public accounting firm for the fiscal year ending December 31, 2018.

Will any other business be conducted at the meeting?

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

How many votes are required to elect the director nominees?

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

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

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



How many votes are required to ratify the appointment of IHC's independent registered public accounting firm for the fiscal year ending December 31, 2018?

The ratification of the appointment of RSM US LLP as IHC's independent registered public accounting firm for the fiscal year ending December 31, 2018 requires the affirmative vote of a majority of the shares present at the online meeting or by proxy and entitled to vote. The proxy card enables you to vote FOR or AGAINST the proposal or ABSTAIN from voting on the proposal. Abstentions will have the same practical effect as votes against the proposal.

How will abstentions be treated?

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

How will broker non-votes be treated?

Broker non-votes will be treated as shares present for quorum purposes. Your broker will be entitled to vote your shares in its discretion on the ratification of the appointment of the independent registered public accounting firm for the fiscal year ending December 31, 2018 (Proposal 2) without your voting instructions, but not on the election of directors (Proposal 1).

## STOCK OWNERSHIP

**Directors and Executive Officers**

The following table sets forth certain information concerning the number of shares of our common stock beneficially owned based on 14,804,662 issued and outstanding shares of common stock as of September 17, 2018 (the “Record Date”) by: (i) each of our directors and nominees, and (ii) each of our named executive officers.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. Other than as described in the notes to the table, we believe that all persons named in the table have sole voting and investment power with respect to shares beneficially owned by them. All share ownership figures include all securities that can be acquired, within sixty (60) days of the Record Date, by exercising or converting stock options, warrants, convertible securities or otherwise and all rights to acquire the Company’s equity securities, which are deemed outstanding and beneficially owned by such person for purposes of computing his or her percentage ownership, but not for purposes of computing the percentage ownership of any other person.

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

Name of Beneficial Owner	Number of Shares	Percent of Class		
Mr. Gary J. Balzofiore	72,806	(1)	*	
Mr. Larry R. Graber	67,981	(2)	*	
Ms. Teresa A. Herbert	126,124	(3)	*	
Mr. David T. Kettig	102,620	(4)	*	
Mr. Allan C. Kirkman	29,601	(5)	*	
Mr. John L. Lahey	25,575	(6)	*	
Mr. Steven B. Lapin	122,162	(7)	*	
Mr. Ronald I. Simon	42,475	(8)	*	
Mr. James G. Tatum	41,601	(9)	*	
Mr. Roy T. K. Thung	424,168	(10)	2.83	%
All directors, nominees for director and executive officers as a group (10 persons)	1,055,113		6.96	%

\*Represents less than 1% of the outstanding common stock.

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(1) Includes 47,333 shares of common stock underlying stock options exercisable within sixty (60) days from the date above.

(2) Includes 12,499 shares of common stock underlying stock options exercisable within sixty (60) days from the date above.

(3) Includes 60,466 shares of common stock underlying stock options exercisable within sixty (60) days from the date above. Excludes the 9,145,226 shares of common stock held by Geneve Holdings, Inc., of which the named individual is an officer.

(4) Includes 14,166 shares of common stock underlying stock options exercisable within sixty (60) days from the date above. Includes 110 shares of common stock held by one of Mr. Kettig's children, which shares Mr. Kettig disclaims beneficial ownership.

(5) Includes 1,650 restricted stock units vesting within sixty (60) days from the date above.

(6) Includes 1,650 restricted stock units vesting within sixty (60) days from the date above.

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

Includes 1,650 restricted stock units vesting within sixty (60) days from the date above, 30,825 shares of common (8) stock held by the Simon Family Trust, and 2,000 shares of common stock held in Mr. Simon's wife's IRA account, of which shares Mr. Simon disclaims beneficial ownership.

(9) Includes 1,650 restricted stock units vesting within sixty (60) days from the date above.

Includes 203,500 shares of common stock underlying stock options exercisable within sixty (60) days from the (10) date above. Excludes the 9,145,226 shares of common stock held by Geneve Holdings, Inc., of which the named individual is an officer.

### Significant Stockholders

The following table sets forth certain information concerning the number of IHC shares of common stock beneficially owned, based on 14,804,662 issued and outstanding shares of common stock as of the Record Date, by certain persons known by IHC to beneficially own more than five percent of the outstanding shares of IHC common stock.

Beneficial ownership is determined in accordance with SEC rules and generally includes voting or investment power with respect to securities. Other than as described in the notes to the table, we believe that the person named in the table has sole voting and investment power with respect to shares beneficially owned by it. All share ownership figures include all securities that can be acquired, within sixty (60) days of the Record Date, by exercising or converting stock options, warrants, convertible securities or otherwise and all rights to acquire the Company's equity securities, which are deemed outstanding and beneficially owned by such person for purposes of computing its percentage ownership, but not for purposes of computing the percentage ownership of any other person

Name	Number of Shares	Percent of Class
Geneve Holdings, Inc. (1)	9,145,226	61.77 %

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

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

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

Based solely upon a review of the copies of the Section 16(a) reports (and any amendments thereto) furnished to IHC and written representations from certain reporting persons that no additional reports were required, IHC believes that its directors, reporting officers and greater-than-ten-percent stockholders complied with all these filing requirements for the fiscal year ended December 31, 2017.

## **CORPORATE GOVERNANCE MATTERS**

### **Corporate Governance Documents**

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

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

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

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

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

### **Director Independence**

As a company listed on the New York Stock Exchange ("NYSE"), IHC uses the definition of independence prescribed in the NYSE Listed Company Manual (the "Manual"). Each of Messrs. Kirkman, Tatum, Lahey and Simon met such independence requirements. The Board has affirmatively determined that none of them had any material relationship described in Item 407(a) of Regulation S-K promulgated by the SEC with IHC at all applicable times during 2017.

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

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

For each independent director, after reasonable investigations and in reliance on representations by such independent director to IHC, IHC believes there is no material transaction, relationship or arrangement described in Item 407(a) of Regulation S-K promulgated by the SEC between each such director not disclosed in this proxy statement under the caption “Certain Relationships and Related Transactions.”

### **Board Leadership Structure**

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

## **Board Role in Risk Oversight**

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

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

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

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

## **Audit Committee Financial Expert**

The Board has determined that each of Mr. Tatum and Mr. Simon is an audit committee financial expert as such term is defined in Item 407(d)(5)(ii) of Regulation S-K promulgated by the SEC.

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



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

### **Communications with Directors**

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

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

### **Nomination of Director Candidates**

In light of GHI's majority voting power, the Board has determined that the Board, rather than a nominating committee, is the most appropriate body to identify director candidates and select nominees for presentation at the annual meeting of stockholders. In making nominations, the Board seeks candidates with outstanding business experience who will bring such experience to the management and direction of IHC. The minimum criteria employed by the Board in its selection of candidates are set forth in the Guidelines, along with certain other factors that inform the selection process. All directors serving on the Board participate in the consideration of director nominees. Furthermore, in light of GHI's voting power, the Board has determined that no policy with respect to consideration of candidates recommended by security holders other than GHI's would be appropriate.

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

## MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

### Meetings

During 2017, the Board held six formal meetings. Each director attended at least 75% of the aggregate of: (i) the total number of meetings of the Board; and (ii) the total number of meetings held by all committees of the Board on which he or she served, during the applicable period.

### Committees

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

#### Audit Committee

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

#### Compensation Committee

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

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

The Audit Committee met nine times in 2017. Each of its members meets the independence requirements of the NYSE and applicable SEC rules and regulations. The Audit Committee and the Board have determined that each member of the Audit Committee is financially literate and that each of Mr. Tatum and Mr. Simon qualifies as an "audit committee financial expert," as such term is defined in Item 401(h)(2) of Regulation S-K promulgated by the SEC.

**Compensation Committee.** The Compensation Committee assists the Board in fulfilling its responsibilities with regard to compensation matters, is responsible for determining or ratifying (as the case may be) the compensation of IHC's executive officers, and administers IHC's 2006 Stock Incentive Plan and 2016 Stock Incentive Plan. The Compensation Committee met four times in 2017. The Compensation Committee has sole authority to determine the compensation for IHC's Chief Executive Officer.

#### **Attendance at Annual Meeting of Stockholders**

Each IHC director is expected to be online for the Annual Meeting of Stockholders. At last year's annual meeting, every IHC director except one attended online.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **Director Independence**

As a company listed on the New York Stock Exchange (“NYSE”), IHC uses the definition of independence prescribed in the NYSE Listed Company Manual (the “Manual”). Each of Messrs. Kirkman, Tatum, Simon and Lahey met such independence requirements. The Board has affirmatively determined that none of them had any material relationships described in Item 407(a) of Regulation S-K promulgated by the SEC with IHC at all applicable times during 2017.

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

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

For each independent director, after reasonable investigations and in reliance on representations by such independent director to IHC, IHC believes there is no transaction, relationship or arrangement described in Item 407(a) of Regulation S-K promulgated by the SEC between each such director not disclosed in this proxy statement under the caption “Certain 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 year 2017.

### **Transactions with Management and Other Relationships**

***With Geneve Holdings, Inc.***

IHC and Geneve Holdings, Inc. (“GHI”), IHC’s controlling stockholder, operate under cost-sharing arrangements pursuant to which certain items are allocated between the two companies. During 2017, IHC paid GHI (or accrued for payment thereto) approximately \$455,000 under such arrangements, and paid or accrued an additional \$225,000 for the first six months of 2018. Such cost-sharing arrangements include GHI’s providing IHC with the use of office space as IHC’s corporate headquarters for annual consideration of \$160,000 in 2017. The foregoing arrangement is subject to the annual review and approval of the Audit Committee, and IHC’s management believes that the terms thereof are no less favorable than could be obtained by IHC 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 states that no contract or transaction between IHC and one or more of its directors or officers (or their affiliates) is *per se* void (or voidable) if, among other things, the material facts as to the relevant relationships and interests were disclosed to the Board (or the relevant committee thereof) and the transaction in question was approved by a majority of the disinterested directors voting on the matter. The Audit Committee’s charter requires the Audit Committee to review and approve all interested-party transactions, and IHC’s other governance documents specifically prohibit various conflicts of interest and impose disclosure requirements in connection with any potential conflict of interest.

The Audit Committee has reviewed and approved each of the related-party transactions set forth above. IHC is not aware of any transaction reportable under paragraph (a) of Item 404 of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended, in respect of 2017, that was not so reviewed and approved.

**PROPOSAL 1**

**ELECTION OF DIRECTORS**

The Board currently consists of nine members. All of IHC’s directors are elected at each annual meeting of stockholders and hold office until the next annual meeting of stockholders. The Board proposes that each of the nine current directors be re-elected to the Board. Each of the directors elected at this annual meeting will hold office until the annual meeting of stockholders to be held in 2019 and until his or her successor is duly elected and qualified. The Company believes that its Board as a whole should encompass a range of talent, skill, diversity, and expertise enabling it to provide sound guidance with respect to the Company’s operations and interests. In addition to considering a candidate’s background and accomplishments, candidates are reviewed in the context of the current composition of the Board and the evolving needs of our businesses.

Each nominee has consented to being named in this proxy statement and has agreed to serve if elected. If a nominee is unable to stand for election, the Board may either reduce the number of directors to be elected or select a substitute nominee. If a substitute nominee is selected, the proxy holders will vote your shares for the substitute nominee, unless you have withheld authority.

The following table sets forth, with respect to each nominee, his or her name, age, principal occupation, employment during at least the past five years, the year he or she was first elected an IHC director and directorships held in other public companies.

**NOMINEES FOR ELECTION TO THE BOARD**

**Director, Year First**

**Age Principal Occupation, Business and Directorships and Qualifications**

**Elected as Director**

Mr. Larry R. Graber	69	Since March 2012, Chief Life and Annuity Actuary and Senior Vice President of IHC; for more than five years prior thereto, Senior Vice President — Life and Annuities of IHC; for more than the past five years, a director and President of Madison National Life Insurance Company, Inc., a wholly owned subsidiary of IHC (“Madison National Life”); since July 2018, a director of Independence American Insurance Company, a wholly owned subsidiary of IHC (“IAIC”); for more than the past five years, a director and President of Southern Life and Health Insurance Company, an insurance company with principal
2000		

offices in Homewood, Alabama and a wholly owned subsidiary of Geneve Holdings, Inc., a private diversified holding company that is the controlling stockholder of IHC (“GHI”); for more than the past five years, a director of Standard Security 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 should serve as one of IHC’s directors are his extensive experience in many facets of the insurance business, particularly relating to the acquisition and administration of blocks of life insurance.



**Director, Year First**

**Elected as Director**

**Age Principal Occupation, Business and Directorships and Qualifications**

Ms. Teresa A. Herbert  
57

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

2016

The experiences, qualifications, attributes or skills that led the Board to conclude that Ms. Herbert should serve as one of IHC’s directors are her extensive financial and accounting experience and her experience with companies with complex organizational structures, intercompany transactions, diverse and complex business transactions, the insurance industry, and public companies.

Mr. David T. Kettig  
59

2011

Since September 2017, President of IHC; from April 1, 2016 to September 2017, Executive Vice President of IHC; since February 2015, Chief Operating Officer and Acting General Counsel of IHC; from April 2009 to April 1, 2016, Chief Operating Officer and Senior Vice President of IHC; from August 2013 to August 2016, President of AMIC; from April 2009 to March 2012, Chief Operating Officer and Senior Vice President of AMIC; from March 2011 to August 2016, a director of AMIC; for more than the past five years, President and a director of IAIC; from March 2012 to March 2016, President of Standard Security Life; since April 2016, Chairman and Chief Executive Officer of 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 serve as one of IHC’s directors are his extensive experience in diverse, complex businesses and transactions, corporate governance, legal affairs, risk management, and insurance.

Mr. Allan C. Kirkman  
75

1980

For more than the past five years, a member of each of the Audit Committee and the Compensation Committee of IHC and Chairman of the Compensation Committee of IHC; for more than five years prior to his retirement in October 2005, 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 should serve as one of IHC’s directors are his extensive experience in diverse, complex businesses and transactions, including that involving public companies in the financial services fields.



**Director, Year First**

**Age Principal Occupation, Business and Directorships and Qualifications**

**Elected as Director**

Mr. John L. Lahey  2006	72	For more than the past five years, a member of the Audit Committee and the Compensation Committee of IHC; since July 2018, President Emeritus of Quinnipiac University, a private university located in Hamden, Connecticut, and Professor of Logic and Philosophy at Quinnipiac University; from March 1987 to June 2018, President of Quinnipiac University; since 1995, a member of the Board of Trustees of Yale-New Haven Hospital, a hospital located in New Haven, Connecticut; between 1994 and December 2015, a director of the UIL Holdings Corporation, a publicly-held utility holding company with principal offices in New Haven, Connecticut; since December 2015, a director, Nominating, Governance and Compensation Committee member, and Executive Committee member of Avangrid, Inc., a diversified energy and utility company with principal offices in New Haven, Connecticut that is the successor-in-interest by merger to UIL Holdings Corporation; since 2004, a director of Alliance for Cancer Gene Therapy, the only national non-profit organization committed exclusively to cancer gene and cell therapy research; since June 2006, a director of Standard Security Life.
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The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Lahey should serve as one of IHC's directors are his extensive executive experience in major organizations and valuable expertise in management and corporate governance.

Mr. Steven B. Lapin  1991	73	For more than the past five years, Vice Chairman of the Board of Directors of IHC; for more than the past five years, Chairman, Chief Executive Officer, President and a director of GHI; for more than the past five years, Chairman, Chief 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 National Life; for more than the past five years, a director of Standard Security Life.
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The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Lapin should serve as one of IHC's directors are his extensive experience in diverse, complex businesses and transactions, corporate governance of public companies, risk management and insurance.

**Director, Year First****Elected as Director****Age Principal Occupation, Business and Directorships and Qualifications**

Mr. Ronald I. Simon	79	<p>Since November 2016, a director of IHC, and a member of the Audit Committee since November 2017; from August 1997 until April 1999, Chairman of the Board of AMIC; from April 1999 to February 2001, Vice Chairman of the Board of AMIC; from February 2001 through May 2001, Acting Chairman of the Board, Chief Executive Officer and Chief Financial Officer of AMIC; from January 2003 to August 2016, Chairman of the Compensation Committee of AMIC; from January 2005 to August 2016, a member of the Audit Committee of AMIC; from 2011 to August 2016, Chairman of the Audit Committee of AMIC; from May 1997 through April 2000, Executive Vice President and Chief Financial Officer, and from September 1999 to September 2001, a director, of Western Water Company, which owned and developed water rights in the western United States; from May 1999 through July 2002, when the company was acquired by Schering, AG, a director of Collateral Therapeutics, Inc., a developer of non-surgical gene therapy procedures for the treatment of cardiovascular diseases; from January 2006 through January 2009, a director of Cardium Therapeutics, a company formed to acquire and further develop the procedures originally developed by Collateral Therapeutics; from August 2001 through June 2002, Chief Financial Officer of Wingcast, Inc., a joint venture of Ford Motor Company and Qualcomm, Inc.; from April 2003 through April 2005, director of BDI Investment Corp., a closely held regulated investment company; from March 2003 through February 2006, a director of WFS Financial, Inc., one of the nation's largest independent automobile finance companies; since August 2007, a director and member of the Audit and Compensation Committees, and Chairman of the Corporate Governance Committee, of Ellington Financial, LLC, a specialty finance company specializing in acquiring and managing mortgage-related assets; since May 2013, a director and member of the Audit and Compensation Committees, and Chairman of the Corporate Governance Committee, of Ellington Residential Mortgage REIT.</p>
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Mr. Ronald I. Simon  
2016

79

The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Simon should serve as one of IHC's directors are his extensive experience in finance and senior management, and in growing successful organizations with entrepreneurial company cultures.

James G. Tatum,  
C.F.A.  
2000

77

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

The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Tatum should serve as one of IHC's directors are his extensive executive experience in major organizations and valuable expertise with financial issues, risk management and oversight.

**Director, Year First**

**Age Principal Occupation, Business and Directorships and Qualifications**

**Elected as Director**

<p>Mr. Roy T.K. Thung</p> <p>1990</p>	<p>74</p>	<p>Since September 2017, Chief Executive Officer and Chairman of the Board of IHC; for more than five years prior to September 2017, Chief Executive Officer, President and Chairman of the Board of IHC; since January 2000, Chief Executive Officer of IHC; for more than five years prior to September 2017, President of IHC; for more than five years prior to July 1999, Executive Vice 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 AMIC; from November 2002 until March 2012, Chief Executive Officer and President of AMIC; from March 2012 until August 2016, Chief Executive Officer of AMIC; for more than five years prior to April 2016, Chief Executive Officer and Chairman of the Board of Standard Security Life; for more than the past five years, director of Standard Security Life; for more than the past five years, Chairman of the Board of Madison National Life.</p>
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The experiences, qualifications, attributes or skills that led the Board to conclude that Mr. Thung should serve as one of IHC’s directors are his extensive experience in diverse, complex businesses and transactions, including involving public companies in the insurance industry, and executive and management experience.

**NAMED EXECUTIVE OFFICERS**

IHC’s officers are elected by the Board, each to serve until his or her successor is elected and has qualified, or until his or her earlier resignation, removal from office or death.

Gary Balzofiore (Age 61)

Since March 2012, Corporate Vice President – Accounting and Finance of IHC; from March 2012 until August 2016, Corporate Vice President – Accounting and Finance of American Independence Corp., formerly a public company traded on Nasdaq and majority-owned subsidiary of IHC that was merged out of existence on August 31, 2016; since March 2016, President of Standard Security Life Insurance Company of New York, a wholly owned subsidiary of IHC (“Standard Security Life”); for more than the past five years until March 2016, Executive Vice President and Chief Financial Officer of Standard Security Life; for more than the past five years, Chief Financial Officer and Senior Vice President of Independence American Insurance Company, an indirect wholly owned subsidiary of IHC.



**DIRECTORS' COMPENSATION**

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

During 2018, 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 share units of IHC common stock, vesting ratably over the three annual anniversaries of the award, and contingent upon continuing service as a director.

The following table summarizes compensation paid to IHC's directors during 2017, except for Mr. Roy T.K. Thung, IHC's Chief Executive Officer and Chairman of the Board, Mr. David T. Kettig, President, Chief Operating Officer and Acting General Counsel, Mr. Larry R. Graber, Chief Life and Annuity Actuary and Senior Vice President, and Teresa A. Herbert, Chief Financial Officer and Senior Vice President, for whom compensation is disclosed elsewhere herein.

**Director Summary Compensation**

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Total (\$)
Mr. Allan C. Kirkman	75,000	69,795	144,795
Mr. John L. Lahey.	63,000	69,795	132,795
Mr. Steven B. Lapin (1)	-	-	-
Mr. Ronald I. Simon	48,000	69,795	117,795
Mr. James G. Tatum.	75,000	69,795	144,795

(1) Mr. Lapin received no compensation in connection with his service as an IHC director during 2017.





## 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-pay” vote at IHC’s 2017 Annual Meeting of Stockholders in connection with the discharge of its responsibilities. IHC’s stockholders expressed their support of the compensation for our CEO, CFO and the three other most-highly compensated officers in respect of 2016, with a substantial majority of the votes cast voting to approve the compensation of IHC’s named executive officers described in IHC’s 2017 proxy statement. Following the Compensation Committee’s review and consideration of this stockholder support, as well as the other factors discussed in more detail below, we determined to make no changes to our approach to executive compensation. The next advisory, non-binding “say-on-pay” vote will occur at IHC’s 2020 Annual Meeting of Stockholders.

At IHC’s 2017 Annual Meeting of Stockholders, a majority of IHC’s stockholders voted for “say-on-pay” proposals to occur every three years. In light of this voting result on the frequency of “say-on-pay” proposals, the Board decided that IHC will present “say-on-pay” proposals every three years until the next required vote on the frequency of stockholder votes on named executive officer compensation. We held a say on frequency of “say-on-pay” vote at our 2017 Annual Meeting of Stockholders. The next stockholder vote on the frequency of stockholder votes on named executive officer compensation will occur at IHC’s 2023 Annual Meeting of Stockholders.

#### *Compensation Objectives*

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

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

- attract and retain individuals of superior ability and managerial talent;

ensure compensation is aligned with IHC's corporate strategies, business objectives and the long-term interests of IHC's stockholders; and  
enhance incentives to increase IHC's stock price and maximize stockholder value by providing a portion of total compensation in IHC equity and equity-related instruments.

IHC's overall compensation program is structured to attract, motivate and retain highly qualified executive officers by paying them competitively, consistent with IHC's success and their contributions to such success. To this end, base salary and bonus are designed to reward annual achievements and to be commensurate with an executive's scope of responsibilities, demonstrated leadership abilities and management experience and effectiveness. Other elements of compensation focus on 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 qualifications and recent performance. Adjustments to salary are made in response to changes in any of the foregoing factors and changes in market conditions. Executive officer salaries are typically reviewed by the Compensation Committee every twelve months. The Compensation Committee has sole authority to determine the compensation for IHC's Chief Executive Officer. Neither the Compensation Committee nor IHC has retained a compensation consultant or similar organization for assistance in reviewing or setting executive officer salaries or other compensation.

### Cash Bonuses

Following the close of each fiscal year, IHC's Chief Executive Officer makes determinations that are communicated to the Compensation Committee as to cash bonuses for IHC's executive officers (excluding himself), based on an analysis of: (i) any contractual commitments set forth in an employment agreement; (ii) IHC's performance in the year ended versus IHC's plan for such year; and (iii) a subjective evaluation of a variety of factors as to each executive officer's individual contribution during the year. The Compensation Committee then convenes outside the presence of the Chief Executive Officer and, following appropriate deliberation, approves or ratifies bonuses for all IHC executive officers.

The salaries paid and annual bonuses awarded to IHC's named executive officers in respect of 2017 are set forth in the Summary Compensation Table.

### Equity Awards

IHC's 2006 Stock Incentive Plan (the "2006 Plan") provided the opportunity for the Compensation Committee to make equity incentive awards to, among others, IHC's executive officers. While there are outstanding grants under the 2006 Plan, it has expired and no new grants may be made under it. The Board of Directors approved a 2016 Stock Incentive Plan (the "2016 Plan") that contains substantially the same terms as the 2006 Plan and submitted it for stockholder approval at the 2016 Annual Meeting of Stockholders. A majority of the shares present at that meeting in person or by proxy approved the 2016 Plan. The following is a description of the 2016 Plan.

The types of equity awards that may be granted under the 2016 Plan are: (i) options; (ii) share appreciation rights ("SARs"); (iii) restricted shares, restricted share units (which are shares granted after certain vesting conditions are met) and unrestricted shares; (iv) deferred share units; and (v) performance awards. The Compensation Committee determines the type and amount of the award with reference to factors that include the present value of the award relative to the executive officer's salary and anticipated cash bonus, the anticipated importance of the executive's position to IHC's future results, and the size of the executive's total compensation relative both to other executives within IHC and to compensation levels at other companies.

Within the limitations of the 2016 Plan, the Compensation Committee may modify an award to: (i) accelerate the rate at which an option or SAR may be exercised (including, without limitation, permitting an option or SAR to be exercised in full without regard to the installment or vesting provisions or whether the option or SAR is at the time exercisable); (ii) accelerate the vesting of any award; or (iii) accept the cancellation of outstanding awards. However, the Compensation Committee may not, without stockholder approval, cancel an outstanding option that is underwater

for the purpose of reissuing the option to a grantee within six months thereafter at a lower exercise price, or granting a replacement award of a different type. Notwithstanding the foregoing provision, no modification of an outstanding award can materially and adversely affect a grantee's rights thereunder, unless the grantee provides written consent, there is an express 2016 Plan provision permitting the Compensation Committee to act unilaterally to make the modification, or the Compensation Committee reasonably concludes that the modification is not materially adverse to the grantee.

### *Options*

Incentive stock options ("ISOs") and non-incentive stock options ("Non-ISOs") may be granted under the 2016 Plan. At the sole discretion of the Compensation Committee, any option may be exercisable, in whole or in part, immediately upon the grant thereof, or only after the occurrence of a specified event, or only in installments, which installments may vary. The term of any option may not exceed ten years from the grant date; *provided, however*, that in the case of an ISO granted to an employee of IHC or any of its affiliates who owns stock representing more than ten percent (10%) of the voting stock on the grant date ("Employee Ten Percent Holder"), the term of the ISO shall not exceed five years from the grant date. The exercise price of an option is determined by the Compensation Committee in its sole discretion; *provided, however*, that if an ISO is granted to an Employee Ten Percent Holder, the per share exercise price shall not be less than 110% of the closing price per share on the NYSE on the grant date ("Fair Market Value"); and *provided further* that for all other options, the per share exercise price shall not be less than 100% of the Fair Market Value on the grant date. Neither IHC nor 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 expiration dates (based on the date granted). Please see the information set forth in the tables below for additional information. IHC does not have a 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 with respect to an outstanding option (in which case the SAR will extend to all or a portion of the shares covered by the related option, the exercise price is the same as the exercise price of the related option, and the SAR is exercisable at such time or times, and to the extent, that the related option will be exercisable), or independent of any option. The Compensation Committee may also grant SARs that are exercisable only upon or in respect of a change in control (as defined in the 2016 Plan) or any other specified event. The per share exercise price of a SAR cannot be less than 100% of the Fair Market Value, and the SARs may only be exercised when the Fair Market Value of the shares underlying the SAR exceeds the exercise price of the SAR. Neither IHC 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 may determine on a prospective basis) will be granted to each non-employee director of IHC following each annual meeting of IHC's stockholders. One-third of those restricted shares will vest on each of the next three annual anniversaries of the date the restricted shares were awarded. In the event that a non-employee director terminates his or her membership on the Board for 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 Committee selects in its sole discretion) in which a grantee who is a member of a select group of management or highly compensated employees receives an initial award of either restricted shares or restricted share units, the Compensation Committee may permit the grantee to irrevocably elect to defer the receipt of all or a percentage of the shares that would otherwise be transferred to the 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 management or highly compensated employees to irrevocably elect to forego the receipt of cash or other compensation (including shares), and in lieu thereof to have IHC credit to an internal 2016 Plan account a number of deferred share units having a Fair Market Value 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 following to measure IHC, affiliate, and/or business unit performance during a specified performance period: (i) gross or net premiums; (ii) profit margin; (iii) number of insured lives; (iv) basic, diluted, or adjusted earnings per share; (v) sales or revenue; (vi) earnings before interest, taxes, and other adjustments (in total or on a per share basis); (vii) basic or adjusted net

income; (viii) returns on equity, assets, capital, revenue or similar measure; (ix) economic value added; (x) working capital; (xi) total stockholder return; and (xii) product development, product market share, research, licensing, litigation, human resources, information services, mergers, acquisitions, or sales of assets of affiliates or business units. Performance measures may vary from 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 that the performance measure(s) for such award is achieved, and it is determined that all or some portion of such grantee's award has been earned for the performance period. The Compensation Committee reviews whether, and to what extent, the performance measure(s) for a particular performance period (of not less than one fiscal year) have been achieved and, if so, determines the amount of the performance award to be paid. The Compensation Committee may use negative discretion to decrease, but not increase, 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 shorter or longer period that the Compensation Committee selects), the Compensation Committee may permit a grantee who is a member of a select group of management or highly compensated employees to irrevocably elect to defer the receipt of all or a percentage of the 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 interest with those of IHC. Therefore, if the employee discloses confidential or proprietary information of IHC, provides services to a competitor of IHC, solicits a non-administrative employee of IHC, or has engaged in activities which conflict with IHC's interests (including any breaches of fiduciary duty or the duty of loyalty), the employee is acting contrary to IHC's long-term interests. Accordingly, except as otherwise expressly provided in an award agreement, IHC may terminate any outstanding, unexercised, unexpired, unpaid, or deferred awards, rescind any exercise, payment or delivery pursuant to the award, or recapture any common stock (whether restricted or unrestricted) or proceeds from the employee's sale of shares issued pursuant to the award. Notwithstanding the foregoing, IHC may, in its sole and absolute discretion, choose not to terminate, rescind or recapture upon the occurrence of any of the foregoing events.

### Tax Implications

The Company is subject to Section 162(m)(1) of the Tax Code, which limits the amount a publicly-held corporation may deduct for compensation paid to the CEO and certain named executive officers to \$1 million per year per executive and excludes the compensation paid to former covered executives once they are no longer covered.

### **Compensation Committee Report**

The Compensation Committee assists the Board in fulfilling its responsibilities with regard to compensation matters, and is responsible for establishing and approving the compensation of IHC's executive officers. The Compensation Committee has sole authority to determine the compensation for IHC's Chief Executive Officer. The Compensation Committee has reviewed and discussed the "Compensation Discussion and Analysis" section of the Form 10-K, as amended, for IHC's fiscal year ended December 31, 2017 with management, including our Chief 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 concluded that they did 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 compensated executive officers in 2017 for the years 2017, 2016 and 2015.

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 Other Compensation (\$)	Total (\$)
Mr. Roy T.K. Thung Chief Executive Officer and Chairman	2017	475,231	338,800	-	891,000(1)	910,000 (2)	158,705(3)	24,017(4)	2,797,753
	2016	461,767	338,800	-	-	3,717,963(2)	149,722(3)	19,049	4,687,301
	2015	452,737	338,800	-	-	804,000 (2)	141,247(3)	19,932	1,756,716
Ms. Teresa A. Herbert Chief Financial Officer	2017	304,897	173,250	-	346,500(1)	-	-	24,789(7)	849,436
	2016	291,571	623,250(5)	-	51,193 (6)	-	-	21,456	987,470
	2015	275,821	173,250	-	-	-	-	22,252	471,323
Mr. David T. Kettig President and Chief Operating Officer	2017	387,600	325,000	-	346,500(1)	-	-	27,781(8)	1,086,881
	2016	374,946	775,000(5)	-	58,323 (6)	-	-	24,599	1,232,868
	2015	352,728	275,000	-	-	-	-	25,217	652,945
Mr. Larry R. Graber Chief Life and Annuity Actuary	2017	306,002	143,100	-	346,500(1)	-	-	32,122(9)	827,724
	2016	295,873	143,100	-	37,775 (6)	-	-	32,122	508,870
	2015	279,091	293,120	-	-	-	-	31,863	604,074
Mr. Gary J. Balzofiore (10) Corporate Vice President –	2017	273,360	200,000	-	79,200 (1)	-	-	14,746(11)	567,306
	2016	264,359	625,000(5)	-	44,540 (6)	-	-	11,601	945,500

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(1) Represents the grant date fair value of options and/or stock appreciation rights granted during 2017.

Represents strategic and long-term incentive earnings as a result of Mr. Thung's Employment Agreement with IHC for the year indicated. IHC is party to the Officer Employment Agreement by and between IHC and Mr. Roy T.K. Thung, IHC's Chief Executive Officer and Chairman of the Board of Directors, dated as of May 11, 2011. Under the agreement, Mr. Thung is entitled to an incentive payment upon the disposition of a strategic asset of IHC equal to 3% of the amount above which the consideration received by IHC for such disposition exceeds the book value of such asset as of March 31, 2011. In addition, any termination of the agreement other than for "cause" triggers an incentive payment to Mr. Thung in respect of such appreciation in the overall book value of IHC. The initial term (2) of Mr. Thung's employment agreement was 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. In accordance with the terms of the agreement, Mr. Thung received cash incentive payments of \$3,013,235 and \$288,728 in 2016 and 2015, respectively, as a result of the IHC Risk Solutions sale and coinsurance transaction with Swiss Re in 2016 and the Madison National Life coinsurance and sale transaction with National Guardian Life Insurance Company in 2015. He did not receive any cash incentive payments in 2017. Had the strategic and long-term incentive provisions of Mr. Thung's agreement been triggered on December 31, 2017, Mr. Thung would have received \$3,985,000.

Represents the increase (decrease) in the value of Mr. Thung's Retirement Benefits Agreement with IHC for the (3) year indicated. Refer to Potential Payments to Named Executive Officers for additional information regarding this agreement.

(4) The amount shown for 2017 represents reimbursements related to the use of an automobile, employer-matching contributions 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 fully vested option awards modified during 2016, as of the modification date.

The amount shown for 2017 represents reimbursements related to the use of an automobile, employer-matching (7) contributions to Ms. Herbert's 401(k) account, group life insurance premiums paid on Ms. Herbert's behalf, and employer contributions to Ms. Herbert's disability insurance.

The amount shown for 2017 represents reimbursements related to the use of an automobile, employer-matching (8) contributions to Mr. Kettig's 401(k) account, group life insurance premiums paid on Mr. Kettig's behalf, and employer contributions to Mr. Kettig's disability insurance.

(9) The amount shown for 2017 represents reimbursements related to the use of an automobile, employer-matching contributions 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 2015. Thus, compensation for Mr. Balzofiore in such year is not included in the table.

The amount shown for 2017 represents employer-matching contributions to Mr. Balzofiore's 401(k) account, (11) group life insurance premiums paid on Mr. Balzofiore's behalf, and employer contributions to Mr. Balzofiore's disability insurance.

## CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company is providing information about the relationship of the annual total compensation of the Company's CEO relative to the median of the annual total compensation of the Company's employees (other than the CEO). The Company refers to the ratio of such compensation as "CEO to Employee Pay Ratio."

The Company's CEO to Employee Pay Ratio was calculated in compliance with the requirements set forth in Item 402(u) of Regulation S-K. The Company identified the median employee using its employee population as of December 31, 2017, which included 398 full-time, part-time and temporary employees employed on that date. The Company did not include independent contractors.

The Company used a consistently applied compensation measure based on W-2 earnings across the employee population to calculate the median employee annual total compensation. The Company then calculated the median employee's annual total compensation in the same manner as that of the CEO and the Company's other named executive officers in the above Summary Compensation Table. The median of the annual total compensation of all employees of the Company (other than the CEO) was \$51,510. The CEO's annual total compensation was \$2,797,753. Accordingly, for 2017, the Company's CEO to Employee Pay Ratio was 54:1.

The SEC rules for identifying the median employee and calculating the pay ratio allow companies to use a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect a company's employee populations and compensation practices. For that reason, the pay ratio reported by other companies may not be comparable to the Company's CEO to Employee Pay Ratio reported above.

### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth for each named executive officer certain information about unexercised stock options and unvested shares of restricted stock held as of December 31, 2017.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards			Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Unexercisable	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
Roy T.K. Thung	176,000	-	\$ 9.09	January 4, 2019	-	-
	-	16,500	\$ 27.65	November 16, 2022 (1)	-	-
	-	82,500	\$ 27.65	November 16, 2022 (2)	-	-
Teresa A. Herbert	47,300	-	\$ 9.09	January 4, 2019	-	-
	4,000	8,000	\$ 19.95	December 1, 2021 (3)	-	-
	-	11,000	\$ 27.65	November 16, 2022 (1)	-	-
	-	27,500	\$ 27.65	November 16, 2022 (2)	-	-
David T. Kettig	5,000	10,000	\$ 19.95	December 1, 2021 (3)	-	-
	-	11,000	\$ 27.65	November 16, 2022 (1)	-	-
	-	27,500	\$ 27.65	November 16, 2022 (2)	-	-
Larry R. Graber	27,500	-	\$ 9.09	January 4, 2019	-	-
	3,333	6,667	\$ 19.95	December 1, 2021 (3)	-	-
	-	11,000	\$ 27.65	November 16, 2022 (1)	-	-
	-	27,500	\$ 27.65	November 16, 2022 (2)	-	-

Gary J. Balzofiore	44,000	-	\$ 9.09	January 4, 2019	-	-
	3,333	6,667	\$ 19.95	December 1, 2021 (3)	-	-
	-	8,800	\$ 27.65	November 16, 2022 (1)	-	-

(1) Stock appreciation rights granted on November 16, 2017 vest in three equal installments beginning on November 16, 2018.

(2) Stock options granted on November 16, 2017 vest in three equal installments beginning on November 16, 2018.

(3) Stock options granted on December 1, 2016 vest in three equal installments beginning on December 1, 2017.

**Grants of Plan-Based Awards**

The following table sets forth information about the number and value of plan-based awards granted during the year 2017.

Name	Grant Date	Number of Stock Awards Granted (#)	Number of Option Awards Granted (#)	Exercise Price (\$)	Grant Date Fair Value (\$)
Roy T.K. Thung	November 16, 2017	-	99,000	27.65	891,000
Teresa A. Herbert	November 16, 2017	-	38,500	27.65	346,500
David T. Kettig	November 16, 2017	-	38,500	27.65	346,500
Larry R. Graber	November 16, 2017	-	38,500	27.65	346,500
Gary J. Balzofiore	November 16, 2017	-	8,800	27.65	79,200

**Option Exercises and Stock Vested**

The following table sets forth information about the number and value of option exercises and vested stock awards for each named executive officer during the year 2017.

Name	Option Awards Number of shares acquired on exercise (#) (1)	Value realized on exercise (\$)	Stock Awards Number of shares acquired on vesting (#)	Value realized on vesting (\$)
Roy T.K. Thung	27,270	1,795,860	(2) -	-
Teresa A. Herbert	8,881	711,590	(3) -	-
David T. Kettig	21,664	1,297,543	(4) -	-
Larry R. Graber	10,197	686,840	(5) -	-
Gary J. Balzofiore	-	162,712	(6) -	-

(1) Actual number of shares issued to named executive officer upon net settlement of option exercises.

(2) Option exercise valued at \$1,456,950 and \$338,910 cash settlement of stock appreciation rights.



- (3) Option exercise valued at \$485,650 and \$225,940 cash settlement of stock appreciation rights.
- (4) Option exercise valued at \$1,106,803 and \$190,740 cash settlement of stock appreciation rights.
- (5) Option exercise valued at \$485,650 and \$201,190 cash settlement of stock appreciation rights.
- (6) Represents cash settlement of stock appreciation rights.

### **Potential Payments to Named Executive Officers upon Termination or Change-in-Control**

#### ***With Mr. Thung***

IHC is party to a Retirement Benefits Agreement with Mr. Roy T.K. Thung, dated as of September 30, 1991, and amended by amendments dated as of December 20, 2002, June 17, 2005 and December 31, 2008, respectively, pursuant to which Mr. Thung is entitled to a lump-sum cash payment upon a “separation from service” from IHC of \$1,659,557, increasing on a cumulative, compounding basis of 6% per annum from December 31, 2008. “Separation from service” is as defined under U.S. Treasury Regulations 1.409A-1(h)(1), and would generally include Mr. Thung’s death, retirement or any other termination of employment, including permanent disability. For example, had this provision been triggered on December 31, 2017, Mr. Thung would have been entitled to receive a payment of \$2,803,787.

IHC is party to the Officer Employment Agreement by and between IHC and Mr. Roy T.K. Thung, IHC's Chief Executive Officer and Chairman of the Board of Directors, dated as of May 11, 2011. Under this employment agreement, if Mr. Thung's employment by IHC or its affiliate were to cease under certain circumstances, Mr. Thung would be entitled to receive a lump-sum severance amount equal to the average annual aggregate total compensation received by Mr. Thung during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicable severance period 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 severance would be paid are: (i) Mr. Thung's employment by IHC being involuntarily terminated under circumstances that would not constitute "cause" (examples of "cause" being Mr. Thung's material failure to follow IHC's lawful directions, material failure to follow IHC's corporate policies, breach of the non-compete covenants in the employment agreement or his engaging in unlawful behavior that would damage IHC or its reputation); (ii) such employment being voluntarily terminated under circumstances that would constitute "good reason" (examples of "good reason" being in connection with IHC's material breach of its obligations under the employment agreement, IHC's non-renewal of the employment agreement or change in control of IHC or its ultimate parent); or; (iii) upon Mr. Thung's death or permanent disability. In addition, under the agreement, Mr. Thung is also entitled to strategic and long-term incentive payments which are included in the Summary Compensation Table above. The initial term of Mr. Thung's employment agreement is two years from the date it was entered into, but, by its terms, it will be automatically extended for successive two-year periods unless one hundred twenty days' prior notice of non-renewal is given by IHC. For example, had the severance provisions of Mr. Thung's agreement been triggered on December 31, 2017, Mr. Thung would have been entitled to receive approximately \$67,425 per month for forty months (\$2,697,000 in the aggregate).

***With Ms. Herbert***

IHC is party to the Officer Employment Agreement, by and between IHC and Ms. Teresa A. Herbert, IHC's Chief Financial Officer and Senior Vice President, dated as of April 18, 2011. Under this employment agreement, if Ms. Herbert's employment by IHC or its affiliate were to cease under certain circumstances, Ms. Herbert would be entitled to receive a severance amount equal to the average annual aggregate total compensation received by Ms. Herbert during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicable severance period would be the longer of: (i) twelve months; and (ii) a number of months equal to the aggregate number of years of service of Ms. Herbert to IHC and its affiliates, not to exceed twenty-four months. The circumstances under which such severance would be paid are (i) Ms. Herbert's employment by IHC being involuntarily terminated under circumstances that would not constitute "cause" (examples of "cause" being Ms. Herbert's material failure to follow IHC's lawful directions, material failure to follow IHC's corporate policies, breach of the non-compete covenants in the employment agreement or her engaging in unlawful behavior that would damage IHC or its reputation), or (ii) such employment being voluntarily terminated under circumstances that would constitute "good reason" (examples of "good reason" being in connection with IHC's (or its successor's) material breach of its obligations under the employment agreement or upon IHC's non-renewal of the employment agreement). The initial term of Ms. Herbert's employment agreement is two years from the date it was entered into, but, by its terms, it will be automatically extended for successive two-year periods unless one hundred twenty days' prior notice of non-renewal is given by IHC. For example, had the severance provision in Ms. Herbert's agreement been triggered on December 31, 2017, Ms. Herbert would have been entitled to receive approximately \$46,450 per month for twenty-four months (\$1,114,800 in the aggregate).

***With Mr. Kettig***

IHC is party to the Officer Employment Agreement, by and among IHC, Standard Security Life (which subsequently assigned the agreement to its affiliate AMIC Holdings, Inc.), and Mr. David T. Kettig, IHC's President, Chief Operating Officer and Acting General Counsel, dated as of April 18, 2011. Under this employment agreement, if Mr. Kettig's employment by Standard Security Life or its affiliate were to cease under certain circumstances, Mr. Kettig would be entitled to receive a severance amount equal to the average annual aggregate total compensation received by Mr. Kettig during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicable severance period 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. Kettig to IHC and its affiliates, not to exceed twenty-four months. The circumstances under which such severance would be paid are (i) Mr. Kettig's employment by Standard Security Life being involuntarily terminated under circumstances that would not constitute "cause" (examples of "cause" being Mr. Kettig's material failure to follow Standard Security Life's or IHC's lawful directions, material failure to follow Standard Security Life's or IHC's corporate policies, breach of the non-compete covenants in the employment agreement or his engaging in unlawful behavior that would damage Standard Security Life, IHC or their respective reputations), or (ii) such employment being voluntarily terminated under circumstances that would constitute "good reason" (examples of "good reason" being in connection with Standard Security Life's (or its successor's) material breach of its obligations under the employment agreement or upon Standard Security Life's non-renewal of the employment agreement). The initial term of Mr. Kettig's employment agreement is two years from the date it was entered into, but, by its terms, it will be automatically extended for successive two-year periods unless one hundred twenty days' prior notice of non-renewal is given by Standard Security Life. For example, had the severance provision in Mr. Kettig's agreement been triggered on December 31, 2017, Mr. Kettig would have been entitled to receive approximately \$62,536 per month for twenty-four months (\$1,500,864 in the aggregate).

***With Mr. Graber***

IHC is party to the Officer Employment Agreement, by and among IHC, Madison National Life, and Mr. Larry R. Graber, IHC's Chief Life and Annuity Actuary and Senior Vice President, dated as of April 18, 2011. Under this employment agreement, if Mr. Graber's employment by Madison National Life or its affiliate were to cease under certain circumstances, Mr. Graber would be entitled to receive a severance amount equal to the average annual aggregate total compensation received by Mr. Graber during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicable severance period 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. Graber to IHC and its affiliates, not to exceed twenty-four months. The circumstances under which such severance would be paid are (i) Mr. Graber's employment by Madison National Life being involuntarily terminated under circumstances that would not constitute "cause" (examples of "cause" being Mr. Graber's material failure to follow Madison National Life's or IHC's lawful directions, material failure to follow Madison National Life's or IHC's corporate policies, breach of the non-compete covenants in the employment agreement or his engaging in unlawful behavior that would damage Madison National Life, IHC or their respective reputations), or (ii) such employment being voluntarily terminated under circumstances that would constitute "good reason" (examples of "good reason" being in connection with Madison National Life's (or its successor's) material breach of its obligations under the employment agreement or upon Madison National Life's non-renewal of the employment agreement). The initial term of Mr. Graber's employment agreement is two years from the date it was entered into, but, by its terms, it will be automatically extended for successive two-year periods unless one hundred twenty days' prior notice of non-renewal is given by Madison National Life. For example, had the severance provision in Mr. Graber's agreement been triggered on December 31, 2017, Mr. Graber would have been entitled to receive approximately \$40,340 per month for twenty-one months (\$847,140 in the aggregate).

***With Mr. Balzofiore***

IHC is party to the Officer Employment Agreement, by and among IHC, Standard Security Life, and Mr. Gary J. Balzofiore, IHC's Corporate Vice President – Accounting and Finance, dated as of May 25, 2011. Under this employment agreement, if Mr. Balzofiore's employment by Standard Security Life or its affiliate were to cease under certain circumstances, Mr. Balzofiore would be entitled to receive a severance amount equal to the average annual aggregate total compensation received by Mr. Balzofiore during the preceding five years, adjusted *pro rata* for the applicable severance period. The applicable severance period 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. Balzofiore to IHC and its affiliates, not to exceed twenty-four months. The circumstances under which such severance would be paid are (i) Mr. Balzofiore's employment by Standard Security Life being involuntarily terminated under circumstances that would not constitute "cause" (examples of "cause" being Mr. Balzofiore's refusal to perform his duties, material failure to follow Standard Security Life's corporate policies, breach of the non-compete covenants in the employment agreement or his committing a crime involving financial or accounting fraud), or (ii) such employment being voluntarily terminated under circumstances that would constitute "good reason" (examples of "good reason" being in connection with Standard Security Life's or IHC's material breach of its obligations under the employment agreement or upon Standard Security Life's non-renewal of the employment agreement). The initial term of Mr. Balzofiore's employment agreement is two years from the date it was entered into, but, by its terms, it will be automatically extended for successive two-year

periods unless one hundred twenty days' prior notice of non-renewal is given by Standard Security Life. For example, had the severance provision in Mr. Balzofiore's agreement been triggered on December 31, 2017, Mr. Balzofiore would have been entitled to receive approximately \$43,506 per month for twenty-four months (\$1,044,144 in the aggregate).

### **Stock Incentive Plans**

Under the terms of IHC's stock incentive plans, the Compensation Committee may make appropriate provision for the holders of awards thereunder in the event of a change in control of IHC or similar event. The specifics of such an occurrence cannot 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 year with respect to compensation plans under which shares of IHC common stock may be issued.

**Equity Compensation Plan Information**

<b>Plan Category</b>	<b>Number of Shares to be Issued Upon Exercise of Outstanding Options</b>	<b>Weighted-Average Exercise Price of Outstanding Options</b>	<b>Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in the First Column)</b>
Equity compensation plans approved by stockholders	692,380	\$ 16.62	859,300

## **REPORT OF THE AUDIT COMMITTEE**

The Audit Committee assists the Board in oversight of the financial reporting process, including the effectiveness of internal accounting and financial controls and procedures, and controls over the accounting, auditing and quality of financial reporting practices of IHC. The Audit Committee operates under a written charter adopted by the Board.

Management of IHC has primary responsibility for the financial reporting process, the preparation of financial statements in conformity with U.S. generally accepted accounting principles, the system of internal controls and the establishment of procedures designed to insure compliance with accounting standards and applicable laws and regulations. RSM US LLP was responsible for auditing IHC's financial statements for its fiscal year ended December 31, 2017. The Audit Committee's responsibility is to monitor and review these processes and procedures. Audit Committee members are not professionally engaged in the practice of accounting or auditing. The Audit Committee relies on the information provided to it, including the representations of management that the financial statements have been prepared with integrity and objectivity, and the representations of management and the opinion of RSM that such financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

The Audit Committee also reviewed the Report of Management on Internal Control over Financial Reporting contained in IHC's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 prior to filing such report with the SEC, as well as RSM's Reports of Independent Registered Public Accounting Firm (also included in IHC's Annual Report on Form 10-K) and RSM's reports related to the audit of IHC's consolidated financial statements. The Audit Committee continues to oversee IHC's efforts related to its internal control over financial reporting and management's preparations for the evaluation in 2018.

The Audit Committee met with management periodically during the year to consider the adequacy of IHC's internal controls and the objectivity of its financial reporting. The Audit Committee discussed these matters with appropriate IHC financial and internal audit personnel and with RSM. The Audit Committee also discussed with IHC's senior management the process used for certifications by IHC's chief executive officer and chief financial officer which are required for certain filings with the SEC.

The Audit Committee appointed RSM as IHC's independent registered public accounting firm for the year ended 2016 after reviewing the firm's performance and independence from management.

The Audit Committee reviewed with management and RSM, IHC's audited financial statements and met separately with both management and RSM to discuss and review those financial statements and reports prior to issuance.

Management has represented to the Audit Committee that the financial statements were prepared in conformity with U.S. generally accepted accounting principles. RSM's report states the firm's opinion that such financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

The Audit Committee reviewed with RSM, which is responsible for auditing IHC's financial statements and for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States, its judgment as to the quality, not just the acceptability, of IHC's accounting principles and such other matters as are required to be discussed with the Audit Committee under Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 16, Communications with Audit Committees. In addition, the Audit Committee has received from RSM written disclosures regarding the auditors' independence required by PCAOB Ethics and Independence Rule 3526, Communication with Audit Committees Concerning Independence, and has discussed with RSM its independence from the Company and its management. In concluding that RSM is independent, the Audit Committee considered whether the non-audit services provided by the independent auditors in 2017 were compatible with its independence.

Based on these reviews and discussions, the Audit Committee recommended to the Board that IHC's audited financial statements be included in IHC's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Audit Committee Members

Mr. James G. Tatum (Chairman)

Mr. Allan C. Kirkman

Mr. John L. Lahey

Mr. Ronald I. Simon



**AUDIT AND NON-AUDIT FEES**

The following table sets forth fees for services that RSM US LLP and KPMG LLP provided to IHC during 2017 and 2016:

	2017	2016
Audit fees (1)	\$1,380,000(2)	\$1,763,000(3)
Audit-related fees	-	-
Tax fees	-	-
All other fees (4)	20,000	21,000
Total	\$1,400,000	\$1,784,000

*Audit Fees.* Represents fees for professional services provided for the audit of IHC’s annual financial statements, (1) the review of IHC’s quarterly financial statements and audit services provided in connection with other statutory or regulatory filings.

(2) The audit fees for 2017 are based on audit services provided by RSM.

As disclosed in the Company’s Form 8-K filed on September 16, 2016, IHC dismissed KPMG as its independent registered accounting firm and engaged RSM as its independent registered accounting firm. Audit fees for 2016 (3) listed above include \$204,000 related to audit services provided by KPMG and \$1,559,000 related to audit services provided by RSM.

(4) All other fees represent fees to RSM for the audit of the Company’s 401(k) plan.

The Audit Committee has determined that the provision of non-audit services by RSM is compatible with maintaining RSM’s independence. Any such engagement of RSM to provide non-audit services to IHC must be pre-approved by the Audit Committee.

**Vote Required For the Election of Directors**

The affirmative vote of a plurality of the votes cast at the meeting is required to elect the nine nominees as directors. This means that the nine nominees will be elected if they receive more affirmative votes than any other person.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE ELECTION OF EACH OF THE NINE NOMINEES.**



## **PROPOSAL 2**

### **RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

#### Appointment of Independent Registered Public Accounting Firm

KPMG audited IHC's annual financial statements for the year ended December 31, 2015. On September 13, 2016, the Audit Committee dismissed KPMG as IHC's independent registered public accounting firm. On October 3, 2016, the Audit Committee appointed RSM US LLP ("RSM") to be IHC's independent registered public accounting firm for the fiscal year ending December 31, 2016, which was ratified by stockholders at the 2016 Annual Meeting of Stockholders. On May 9, 2017, the Audit Committee appointed RSM to be IHC's independent registered public accounting firm for the fiscal year ending December 31, 2017, which was ratified by stockholders at the 2017 Annual Meeting of Stockholders. On August 8, 2018, the Audit Committee appointed RSM to be IHC's independent registered public accounting firm for the fiscal year ending December 31, 2018. The stockholders are asked to ratify this appointment at the annual meeting. Representatives of RSM will be present at the meeting.

#### Vote Required For Ratification

The Audit Committee is responsible for selecting IHC's independent registered public accounting firm. Accordingly, stockholder approval is not required to appoint RSM as IHC's independent registered public accounting firm for 2018. The Board believes, however, that submitting the appointment of RSM to the stockholders for ratification is a matter of good corporate governance. If the stockholders do not ratify the appointment, the Audit Committee will review its future selection of the independent registered public accounting firm.

The ratification of the appointment of RSM as IHC's independent registered public accounting firm requires the affirmative vote of a majority of the shares present at the meeting in person or by proxy and entitled to vote.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THIS PROPOSAL.**



## **OTHER MATTERS**

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

## **ADDITIONAL INFORMATION**

### **Proxy Solicitation**

IHC will bear all costs of this proxy solicitation. In addition to soliciting proxies by this mailing, IHC expects that its directors, officers and regularly engaged employees may solicit proxies personally or by mail, telephone, facsimile or other electronic means, for which solicitation they will not receive any additional compensation. IHC will reimburse brokerage firms, custodians, fiduciaries and other nominees for their out-of-pocket expenses in forwarding solicitation materials to beneficial owners upon our request.

### **Stockholder Proposals for 2019 Annual Meeting**

Stockholder proposals intended to be presented at IHC's 2019 annual meeting must (pursuant to Rule 14a-8 of the Exchange Act) be received by IHC no later than May 29, 2019 to be eligible for inclusion in IHC's proxy statement and form of proxy for next year's meeting. Proposals should be addressed to Independence Holding Company, Attention: Corporate Secretary, 485 Madison Avenue, 14<sup>th</sup> Floor, New York, New York 10022.

For any proposal that is not submitted for inclusion in next year's proxy statement (as described in the preceding paragraph), but is instead sought to be presented directly at the 2019 annual meeting, the federal securities laws require stockholders to give advance notice of such proposals. The required notice must (pursuant to Rule 14a-4 of the Exchange Act) be given no later than August 12, 2019. Any such notice must be provided to Independence Holding Company, Attention: Corporate Secretary, 485 Madison Avenue, 14<sup>th</sup> Floor, New York, New York 10022. If a stockholder fails to provide timely notice of a proposal to be presented at the 2019 Annual Meeting, the chairman of the meeting will declare it out of order and disregard any such matter.

By order of the Board of Directors,

Loan Nisser

*Vice President – Legal and Secretary*

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