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## **AM Best Removes From Under Review With Developing Implications, Affirms Credit Ratings of Independence American Insurance Company**

**OLDWICK, N.J., December 22, 2021**—AM Best has removed from under review with developing implications and affirmed the Financial Strength Rating (FSR) of A- (Excellent) and the Long-Term Issuer Credit Rating (Long-Term ICR) of “a-” (Excellent) of Independence American Insurance Company (IAIC) (Wilmington, DE). The outlook assigned to the Credit Ratings (ratings) is stable.

The ratings reflect IAIC’s balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management. The rating also factors in rating enhancement from its ultimate parent, JAB Holding Company s.á.r.l. (JAB Holding).

IAIC, formerly part of Independence Holding Company, entered into a definitive agreement with JAB Holding, which acquired 70% controlling interest in the pet insurance business and in the stock of Independence American Holdings Corp., including its subsidiary IAIC, Independence Holding Company’s interest in Pet Partners, Inc. and other related pet assets. As part of the transaction, Independence Holding Company received \$276 million in cash and a 30% interest in Independence Pet Holdings, Inc., formerly known as Iguana Capital Inc. (the intermediate holding company), a JAB Holding subsidiary. JAB Holding invests in premium consumer brands and industries, including the pet business, and owns one of the largest pet hospital operations in the United States—National Veterinary Associates—providing IAIC with synergies and growth potential. The ultimate parent provides implicit financial flexibility and capital support needed for potential non-organic expansion opportunities.

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IAIC has the strongest level of risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio (BCAR). The company also maintains favorable balance sheet metrics. The growth trend in absolute capital and surplus is supported by consistent operating earnings as the pet insurance business gains additional market share. Capital stability is supported by favorable underwriting results and investment gains, even after dividends to its former parent in the past years. IAIC has ample sources of liquidity, including its very liquid investment portfolio, as well as financial flexibility from its current parent, JAB Holding.

Premium growth over the last couple of years, primarily emerging from incremental changes to short-term medical and pet insurance, has reflected company initiatives aimed at transitioning it to higher growth businesses, while adding revenue diversity and improving margins. The group has successfully implemented these changes over the last few years, and pet insurance premium is expected to be only source of revenue and earnings going forward. After exiting the medical stop-loss business several years ago, IAIC has focused on profitably growing premium as a niche market carrier in its remaining specialty health and group benefits products, making up approximately half of the total premium, which will be completely ceded to Madison National Life Insurance at the beginning of 2022. Going forward, IAIC will underwrite just pet insurance, which the company expects to grow significantly over the next three years, with premium development supported by business generated by its two affiliates, Pet Partners and Figo.

The ERM program of IAIC is appropriate. The plan, which sets forth a strong risk culture and governance, along with ongoing discipline and risk identification, has continued to evolve over the past year, adding more sophisticated risk and contingency plans around the pet insurance business.

**This press release relates to Credit Ratings that have been published on AM Best’s website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best’s**

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