

HIIQ

Health Insurance Innovations Inc

Healthcare

07/23/2018

L LONG
PRESENTED
CURRENT

DATE	07/18/2018		PRICE	\$55.85	MARKET CAP	\$0.80B
PRICE	MARKET CAP	ENT VALUE	Image type unknown Chart http://portal.dmlc.com/storage/ideas/Chart/a08A000001H4x86IAB.jpg			
\$33.15	\$0.43B	\$0.39B				
P/E RATIO	BOOK VALUE	DIV YIELD				
25.9x	\$7.27	0%				
SHARES O/S	AVE DAILY VOL	SHORT INT				
12.92M	334,192	66.21%				
Health Insurance Innovations, Inc. engages in the distribuion of individual and family health insurance plans. It offers short-term medical; accident, sickness, and hospital; ancillary; lifestyle and discount services; and dental insurance plans. The company was founded by Michael W. Kosloske in 2008 and is headquartered in Tampa, FL.						

Publicly traded companies mentioned herein: Chubb Ltd (CB), Health Insurance Innovations Inc (HIIQ), Humana Inc (HUM)

Highlights

The presenter is long shares of Health Insurance Innovations (HIIQ), a web-based, supplemental insurance provider. He believes the Trump administration will look to expand the short-term medical insurance coverage term from three months (a rule implemented by the Obama administration) to 12 months. If successful, the market size could increase by 10x - 12x, and HIIQ would be a primary beneficiary.

- One thing the Obama administration did to support the exchanges was to the limit the term of short-term medical insurance. By limiting healthy individuals to just three months of coverage via an option that's 30% cheaper, there was an incentive to just buy coverage on the exchanges (or go uncovered). Now, if Trump is successful, healthy individuals may have access to short-term coverage that lasts up to one year. This could negatively impact the risk pools and might even be an "optical victory" as coverage could, in theory, expand.
 - The short-term market is challenging, and large payers haven't historically been willing to deal with members at such a granular level. The presenter noted that Humana and Chubb are among the larger players that have partnered with HIIQ, which acts as an intermediary; healthy individuals might flock to short-term coverage due to the cost savings.
 - The presenter thinks there's a chance that the new rule could be implemented before the November 2018 open enrollment period.
- HIIQ is an intermediary. Its website aggregates requests for coverage from individuals and uses a "virtual administrator" to provide the quotes. Consumers then decide whether or not to purchase coverage online.
- HIIQ trades at 11x 2019 Street EPS forecasts, and short interest is high (>40% of the float). Bears have latched on to 1) the liability exposure, as one carrier claimed not to have provided adequate coverage and a multi-state investigation ensued; and 2) in June it

- was announced that the employment agreement with Michael Kosloske, Founder and Chief of Product Innovation, was terminated. However, the presenter noted that what was expected to be a large liability for HIQ ended up being settled with the California Department of Insurance for just \$5MM (April 2018).
 - While the multi-state investigation still poses a risk, the presenter believes the downside is limited, as evidenced by the small settlement above. With two upcoming potential catalysts - a ruling on short-term medical insurance duration, and a resolution of the other investigation by early Q3 (it is the same Chief Examiner) - he likes the risk/reward setup.

For questions regarding DeMatteo Research Events and Services, please contact:

Hans Noering, Co-Director of Research, 212-833-9932, hnoering@dmlc.com

Important Disclosures

This summary has been prepared by DeMatteo Research LLC (“DeMatteo” or the “Firm”). The Firm sponsors events featuring institutional investors (“Presenters”). The opinions, estimates, projections, and views contained in this summary are those of, and exclusively sourced from, the Presenters and may differ from those of the Firm. While the Firm attempts to summarize accurately the comments of the Presenters, the summary is not endorsed by the Presenters.

This summary is provided for information purposes only and does not constitute an invitation or offer to subscribe to or purchase or sell any of the products or services mentioned. It is intended for institutional investors only and should not be forwarded to third parties. Securities, financial instruments or strategies discussed herein may not be suitable for all investors. The opinions and views expressed in this summary do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments, or strategies to particular clients. DeMatteo is not, by making this summary available, providing investment, legal, tax, financial, or accounting advice to the recipient of this summary or any other party. DeMatteo is not acting as an advisor or fiduciary to any client in connection with providing this summary. Past performance is not indicative of future results. This summary has been prepared based on information, including market prices, data and other information, obtained from sources believed to be reliable; but DeMatteo does not warrant its completeness or accuracy. The Firm makes no representation or warranty, express or implied, in respect thereof, and accepts no liability whatsoever for any loss arising from any use of or reliance on this summary or its contents. Information, estimates, assumptions, and/or opinions expressed herein are made as of the date of the Guest Speaker’s presentation and are subject to change without notice. DeMatteo assumes no obligation to maintain or update this summary based on subsequent information and events. Further information on any of the securities mentioned in this report may be obtained upon request.

Analysts are compensated through a base salary and an annual bonus. The amount of an analyst’s annual bonus is related, among other factors, to the Firm’s overall revenues and profitability, and is not tied to any level of investment banking or other similar business in which the Firm engages. Neither the Firm nor any affiliate, in the aggregate, beneficially own 1% or more of any class of common equity securities issued by any company discussed in the report.

- Analysts are compensated through a base salary and an annual bonus. The amount of an analyst’s annual bonus is related, among other factors, to the Firm’s overall revenues and profitability, and is not tied to any level of investment banking or other similar business in which the Firm engages. Neither the Firm nor any affiliate, in the aggregate, beneficially own 1% or more of any class of common equity securities issued by any company discussed in the report.
- The Firm, the analyst involved in the preparation of this report, and members of the analyst’s household do not have a financial interest in securities of any company discussed in the report.
- As of the end of the month immediately preceding the issuance of this Research Report (or the end of the second most recent month if publication date is less than 30 calendar days after the end of the most recent month), no analyst involved in the preparation of this report has received compensation from any company discussed in this report or knows of any other actual, report conflict of interest regarding this report.
- Neither the Firm nor any affiliate has received compensation for investment banking services from any company discussed in the report in the last twelve (12) months.
- Neither the Firm nor its affiliates expect to receive or intend to seek compensation for investment banking services from any company discussed in the report in the next three (3) months.
- No company discussed in the report is, or during the 12-month period preceding the date of distribution of the report, was, a client of the Firm.
- No director, officer or employee of the Firm is a director of any company in which the Firm provides research coverage.
- No analyst involved in the preparation of this report or any member of the analyst’s household serves as an officer, director or advisory board member of any company discussed in the report.

- The Firm does not act as a market maker in the securities of any company discussed in the report.
- Neither the firm nor any of its affiliates managed or co-managed a public offering of the securities for the subject company in the past 12 months.
- No analyst received any compensation from the subject company in the previous 12 months.

REG. AC Certification

The opinions, views and / or analyses of the companies and / or industries contained in this document generally consist of a summary of a presentation made by one or more securities professionals at an event sponsored by DeMatteo Research LLC ("DeMatteo") and are not typically the views or opinions of the individual at DeMatteo responsible for the preparation of this document. Where any views or opinions expressed in this document are attributed to the individual responsible for the preparation of this document, then such views or opinions accurately reflect the personal views of the author of this document regarding the subject securities and / or issuers.

No part of the compensation of the individual responsible for the preparation of this report was, is or will be directly or indirectly related to the specific recommendations or views contained in this document.

Copyright ©2018 DeMatteo Research LLC and/or its affiliates. All rights reserved.