

# UNITED HERITAGE<sup>®</sup>

*Mutual Holding Company*



**2009**

**Annual Report**



P.O. Box 7777  
Meridian, Idaho 83680-7777  
**unitedheritage.com**  
Toll Free 1-800-657-6351

*United Heritage Financial Group*  
*United Heritage Life Insurance Co.*  
*United Heritage Property & Casualty Co.*  
*Sublimity Insurance Co.*



## PRESIDENT'S MESSAGE



All three United Heritage/Sublimity insurance companies were profitable for 2009. All three added to their surplus (equity) over where they had been a year earlier. All three experienced record sales. What a difference a year makes.

The results achieved by the United Heritage/Sublimity insurance companies for 2009 are remarkable considering general economic conditions, especially during the first quarter. The Dow Jones Industrial average dipped down to 6,547 on March 9, 2009. But by December 31, 2009, the Dow was at 10,428 and there was general improvement in the credit markets.

Our life insurance, annuities, group life and disability, homeowners, and auto products meet the needs of everyday Americans. They are not fancy, but they help manage the risks we all face in everyday life.

United Heritage is a mutual holding company organization. We are policy holder owned. That means that we do not have stock that is traded on public markets and, as a consequence, cannot be manipulated to drive down our market capitalization. This has resulted in a safe and sound corporate and financial structure.

We are pleased to bring you these positive financial results by all of our operating companies. This has been the result of a team effort by our Boards of Directors, management, employees, marketing directors, and agents. Thank you to all.

Sincerely,

Dennis L. Johnson  
President & CEO

United Heritage Mutual Holding Company  
United Heritage Financial Group  
United Heritage Life Insurance Company

**UNITED HERITAGE  
FINANCIAL GROUP, INC.**

As an intermediate holding company, the primary assets of UHFG at year end 2009 were the common stock of United Heritage Life Insurance Company, United Heritage Property & Casualty Company, and Sublimity Insurance Company. Combined Assets at year end were \$485 million. Combined Capital & Surplus totaled \$61 million. UHFG is 100% owned by United Heritage Mutual Holding Company (UHMHC) where the Board of Directors is elected by the policyholders of United Heritage Life Insurance Company and Sublimity Insurance Company.

UHFG's primary roles are to supervise the three operating companies and to manage and allocate capital. In addition, certain administrative functions, such as Treasury, Legal and Information Technology, are provided across all entities.

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**United Heritage Life Insurance Company  
Marketing Officers**

*Robert J. McCarvel  
Senior V. P. & Chief Marketing Officer  
Meridian, ID*

*John J. Bellamy, AAPA  
Vice President Marketing - Annuities  
Meridian, ID*

*R. Shane Nelson  
Vice President - Group  
Boise, ID*

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## UNITED HERITAGE LIFE INSURANCE COMPANY

United Heritage Life Insurance Company has been in business since 1934, offering a diverse line of products which include life insurance, preneed, final expense, fixed annuities, and group life and disability. We distribute our products through independent life insurance agents, which totaled 1,246 at year-end. We are licensed in 36 states.

PREMIUM & ANNUITY .....	\$ 55,968,427
NET INCOME .....	\$ 647,528
ASSETS .....	\$ 438,330,154
LIABILITIES .....	\$ 397,523,082
CAPITAL & SURPLUS .....	\$ 40,807,072
CHANGE IN CAPITAL & SURPLUS .....	2.0 %
LICENSED AGENTS .....	1,246

*Financial results are subject to final audit.*

### ***UHLIC Board of Directors***

*Richard E. Hall* *Boise, ID*  
*Chairman of the Board*

*Rodney L. Smith* *Red Lodge, MT*  
*Vice Chairman of the Board*

*Dennis L. Johnson* *Eagle, ID*  
*President & CEO*

*Ned E. Clark* *Heppner, OR*

*Richard C. Waitley* *Meridian, ID*

*Julie E. Prafke* *Spokane Valley, WA*

*Steven D. Hauschild* *Spokane, WA*

***UHLIC Senior V. P. & Chief Marketing Officer***  
*Robert J. McCarvel*

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### **Regional Directors**

*James R. Barlow - Gilbert, AZ*

*Robert A. Hanson - PreNeed - Stanchfield, MN*

*Keith A. Kimball - Orting, WA*

*Calvin C. Mickelson - PreNeed - Grove, OK*

## SUBLIMITY INSURANCE COMPANY

Sublimity Insurance Company, founded in 1896, joined the United Heritage Financial Group in 2003. Sublimity offers a complete line of preferred personal lines products including homeowners, automobile, farm and farm truck, rental properties and personal umbrella to customers in Oregon, Idaho and Utah. The Company is also licensed in Washington.



*G. Richer Budke  
President & CEO,  
SIC*

During 2009, Sublimity enjoyed a growth rate of almost 20% while maintaining strong leverage ratios, critical to sustained financial strength. Our first full year in Utah yielded solid results, complimenting exceptional performance in virtually all areas. The Company has maintained consistent underwriting profitability for seven consecutive years.

Working with our valued agency partners, we continue to be well positioned to take advantage of additional growth opportunities during 2010.

DIRECT WRITTEN PREMIUM ...	\$ 16,449,740
NET INCOME .....	\$ 1,054,182
ASSETS .....	\$ 20,610,972
LIABILITIES .....	\$ 10,812,192
CAPITAL & SURPLUS .....	\$ 9,798,780
CHANGE IN CAPITAL & SURPLUS ..	15.89 %
AGENCY LOCATIONS .....	182

*Financial results are subject to final audit.*

### ***Sublimity Board of Directors***

<i>James R. Hay</i>	<i>Chairman</i>	<i>McMinnville, OR</i>
<i>Ray D. Edwards</i>	<i>Vice Chairman</i>	<i>Lake Oswego, OR</i>
<i>G. Richer Budke</i>	<i>President &amp; CEO</i>	<i>Salem, OR</i>
<i>Dennis L. Johnson</i>		<i>Eagle, ID</i>
<i>Jerome C. Fischer, CPA</i>		<i>Salem, OR</i>
<i>William L. Bingle</i>		<i>Salem, OR</i>

***Sublimity Senior V. P. Marketing & Underwriting***  
*Andrew L. Trower, CPCU*

**UNITED HERITAGE  
PROPERTY & CASUALTY COMPANY**

United Heritage Property & Casualty Company, formerly Idaho Mutual Insurance Company, began operations in 1908. Insurance is written on Home, Farm, and Business policies in Idaho, Oregon, and Utah. In 2009, the company began writing auto insurance in Idaho and will market auto in Oregon and Utah in 2010.



*Brian E. Henman  
President & CEO,  
UHP&C*

We are pleased to report a profitable 2009 with increases in Direct Written Premium, Assets, and Capital & Surplus. For six of the past seven years, our Combined Ratio has been less than 97.4% which was a key factor in the company's net income of \$852,846.

Thanks to our professional staff, officers, directors, and our agents who are dedicated to making the company of greater service to the policy holders.

DIRECT WRITTEN PREMIUM ...	\$ 15,448,260
NET INCOME .....	\$ 852,846
ASSETS .....	\$ 21,987,948
LIABILITIES .....	\$ 12,354,653
CAPITAL & SURPLUS .....	\$ 9,633,295
CHANGE IN CAPITAL & SURPLUS ..	15.94 %
AGENCY LOCATIONS.....	181

*Financial results are subject to final audit.*

***UHP&C Board of Directors***

*Glenn S. Osborn* *Wilder, ID*  
*Chairman of the Board*

*James R. Nall, Jr.* *Meridian, ID*  
*Vice Chairman of the Board*

*Brian E. Henman* *Meridian, ID*  
*President & CEO*

*Jack J. Winderl* *Eagle, ID*  
*Nancy K. Napier, PhD* *Boise, ID*  
*Mickey L. Ware* *Meridian, ID*

***UHP&C Senior V. P. Marketing***

*Sharon L. Locke*

# UNITED HERITAGE MUTUAL HOLDING COMPANY / FINANCIAL GROUP BOARD OF DIRECTORS



**Richard E. Hall, Chairman of the Board** - Resides in Boise, ID. Mr. Hall, an attorney, is Past President and a Founding Partner of the Law firm of Hall, Farley, Oberrecht & Blanton in Boise, ID. He earned his BA from the University of Idaho in 1966 and a JD from Harvard Law School in 1969. He has served on the United Heritage Life Insurance Company Board of Directors since 1990 and has been Chairman since May 2000. Committees: Executive, Compensation

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**Dennis L. Johnson, President and CEO** - Resides in Eagle, ID. Mr. Johnson began his career at United Heritage Life Insurance in 1983 as General Counsel. He was Executive VP and COO and became a member of the Board in 1998. He became President and CEO in 1999. Mr. Johnson earned his BA from Northwest Nazarene University and his JD from the University of Idaho, College of Law. Committees: Executive, Marketing, Compensation

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**Richard C. Waitley** - Resides in Meridian, ID. Mr. Waitley has been President of Association Management Group over 30 years, which handles association management and lobbying for numerous Idaho and northwest agricultural groups. Mr. Waitley is a University of Idaho graduate with a BS in Agriculture Education. He has served on the United Heritage Life Insurance Company Board of Directors since 1995. Committees: Marketing (Chair), Compensation

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**Steven D. Hauschild** - Resides in Spokane, WA. Mr. Hauschild has been in the banking industry since 1980. He has served in management positions for major financial institutions as a chief approval officer, senior portfolio manager, and senior manager for credit review/internal controls. He received his BBA from Gonzaga University, Spokane, WA and MBA from Washington State University, Pullman, WA. He has served on the United Heritage Life Insurance Company Board of Directors since 2000. Committees: Audit, Investment, Marketing

**UNITED HERITAGE MUTUAL HOLDING  
COMPANY / FINANCIAL GROUP  
BOARD OF DIRECTORS**



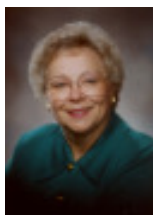
**Rodney L. Smith, Vice Chairman of the Board** - Resides in Red Lodge, MT. Mr. Smith was President of First Interstate Bank in Red Lodge, MT. He had been in banking since 1964 and retired on December 31st, 2004. Mr. Smith has a degree in Computer Programming. He has served on the United Heritage Life Insurance Company Board of Directors since 1997. Committees: Executive, Audit

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**Ned E. Clark** - Resides in Heppner, OR. Mr. Clark is the President and majority shareholder of Horseshoe Hereford Ranch, Inc. and is Director of the Board for Bank of Eastern Oregon. He attended Oregon State University and Linfield College. He has served on the United Heritage Life Insurance Company Board of Directors since 1991. Committees: Audit (Chair), Marketing

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**Julie E. Prafke** - Resides in Spokane, WA. Ms. Prafke is the Chairman of the Board of Humanix Corp. She received her AA from North Idaho College, BA from Eastern Washington University and her MBA from City University in Spokane, WA. She has been on the United Heritage Life Insurance Company Board of Directors since 1995. Committees: Compensation (Chair), Marketing

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**James R. Hay** - Resides in McMinnville, OR. Mr. Hay graduated from Oregon State University in 1964 with a BS in Agriculture. He earned an MS in Agriculture Science in 1966 also at Oregon State University. From 1966 to 1976 he was employed as an "Extension Agent" for Oregon State University. He worked at Key Bank from 1976-1999. He was VP and Manager of their Oregon Agriculture Department when he retired. He has been a Director of Seven H Enterprises, a family land holding company since 1978. He joined the Sublimity Insurance Company Board of Directors in 1982 and was elected Chairman in October, 2006. Committees: Audit, Compensation

**UNITED HERITAGE  
MUTUAL HOLDING COMPANY  
ANNUAL MEETING NOTICE**

The annual meeting of the members of United Heritage Mutual Holding Company will be held on May 17, 2010, (the third Monday in May) at the Home Office, 707 E. United Heritage Court, Meridian, Idaho, at 10:00 a.m. local time. Members of United Heritage Mutual Holding Company are persons who own a policy issued by either United Heritage Life Insurance Company or Sublimity Insurance Company.

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**2010 ANNUAL MEETING AGENDA**

**Comments**

*President and CEO, Dennis L. Johnson  
Chairman of the Board of Directors, Richard E. Hall  
Sublimity President and CEO, G. Richer Budke  
UHP&C President & CEO, Brian E. Henman*

**Approval of the Minutes  
of the 2009 Annual Meeting**

**Election of Directors**

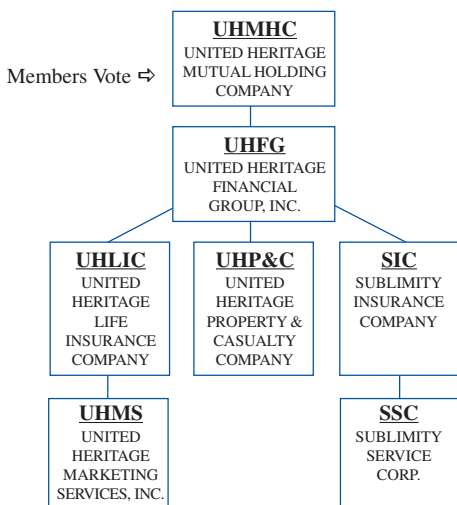
*The Directors standing for re-election are  
Ned E. Clark (4 year term),  
and Julie E. Prafke (4 year term).*

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**PROXIES**

If you have returned a signed proxy form to the Company, the Board of Directors intends to direct the Chairman of the Board to vote your proxy FOR the re-election of Ned E. Clark and Julie E. Prafke to the Board of Directors at the Annual Meeting. You may revoke your proxy at any time by sending a letter to the Company stating that you would like to revoke your proxy. We must receive your letter by May 12, 2010. Please include your United Heritage Life or Sublimity Insurance Company policy number in your letter and sign the letter. Further, if you have not sent in a proxy form and you would like to, please contact the United Heritage Client Services Department at 1-800-657-6351 or Sublimity Insurance Company at 1-800-424-2491. Finally, if you have not sent in a proxy form and you would like to cast your vote FOR or AGAINST the election of the Directors standing for re-election, you may send a letter to the Company indicating your vote. We must receive your letter by May 12, 2010. Please indicate your policy number in your letter and sign it.

# MUTUAL HOLDING COMPANY ORGANIZATIONAL STRUCTURE



## United Heritage Life Insurance Company States of Licensure

<i>Alaska</i>	<i>Kentucky</i>	<i>Oklahoma</i>
<i>Arizona</i>	<i>Louisiana</i>	<i>Oregon</i>
<i>Arkansas</i>	<i>Michigan</i>	<i>Pennsylvania</i>
<i>California</i>	<i>Minnesota</i>	<i>South Carolina</i>
<i>Colorado</i>	<i>Missouri</i>	<i>South Dakota</i>
<i>Georgia</i>	<i>Montana</i>	<i>Tennessee</i>
<i>Hawaii</i>	<i>Nebraska</i>	<i>Texas</i>
<i>Idaho</i>	<i>Nevada</i>	<i>Utah</i>
<i>Illinois</i>	<i>New Mexico</i>	<i>Virginia</i>
<i>Indiana</i>	<i>North Carolina</i>	<i>Washington</i>
<i>Iowa</i>	<i>North Dakota</i>	<i>Wisconsin</i>
<i>Kansas</i>	<i>Ohio</i>	<i>Wyoming</i>

## United Heritage Property & Casualty Company States of Licensure

*Idaho*  
*Arizona*                      *Oregon*  
*Utah*

## Sublimity Insurance Company States of Licensure

*Idaho*                                      *Utah*  
*Oregon*                                      *Washington*