

# UNITED HERITAGE<sup>®</sup>

*Mutual Holding Company*



2005

## 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.*  
*United Heritage Financial Services, Inc.*  
*Sublimity Insurance Co.*





The United Heritage Financial Group of companies had excellent financial results in 2005. United Heritage Life Insurance Company had net income of \$2.0 million; United Heritage Property & Casualty Company \$1.6 million; Sublimity Insurance Company \$1.7 million; and United Heritage Financial Services \$96,000; for

a combined net income after holding company expenses and inter-company eliminations of \$4.7 million.

While our portfolio rate has dropped due to a lower interest rate environment for United Heritage Life Insurance Company, we continue to credit interest at competitive rates. We provide property and casualty products at favorable rates with outstanding personalized service. United Heritage Financial Services increased profitability in what is regarded as an industry with a thin margin product line.

The ratings of all insurance companies in the United Heritage family are strong. United Heritage Life Insurance Company has an A- Excellent rating; United Heritage Property and Casualty Company has a B++ Very Good rating; and Sublimity Insurance Company has a B++ Very Good rating, having recently been upgraded based on 2005 performance. All of these ratings are issued by A.M. Best, the premier rating service for insurance companies. It has added that it regards these company ratings as “stable.”

Our Boards of Directors, agents, representatives, regional marketing directors, officers, and employees have worked hard to bring you these excellent results for 2005. We thank our policyholders, constituents, clients, and friends for their support leading to this success.

Sincerely,

Dennis L. Johnson  
President & CEO

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

**UNITEDHERITAGE  
FINANCIAL GROUP, INC.**

As a holding company, the primary assets of United Heritage Financial Group are the 100% owned common stock of United Heritage Life Insurance Company, United Heritage Property & Casualty Company, United Heritage Financial Services, Inc., and Sublimity Insurance Company. Combined Assets are \$443 million. Combined Capital & Surplus totals \$56 million.

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**UNITEDHERITAGE  
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 have recently been admitted into the states of Hawaii, Alaska, Wisconsin, Indiana, Ohio, Kentucky, and Michigan. With our recent admissions we are currently licensed to do business in 30 states.

ASSETS .....	\$ 410,038,096
LIABILITIES .....	\$ 369,069,062
CAPITAL & SURPLUS .....	\$ 40,969,034
NET INCOME .....	<b>\$ 2,006,013</b>
PREMIUM & ANNUITY	
CONSIDERATIONS .....	\$ 44,742,839
LICENSED AGENTS .....	1,203

***UHLIC Board of Directors***

<i>Richard E. Hall</i>	<i>Boise, ID</i>
<i>Chairman of the Board</i>	
<i>Rodney L. Smith</i>	<i>Red Lodge, MT</i>
<i>Vice Chairman of the Board</i>	
<i>Dennis L. Johnson</i>	<i>Boise, ID</i>
<i>President &amp; CEO</i>	
<i>Ned E. Clark</i>	<i>Heppner, OR</i>
<i>Richard C. Waitley</i>	<i>Meridian, ID</i>
<i>Julie E. Prafke</i>	<i>Spokane, WA</i>
<i>Steven D. Hauschild</i>	<i>Spokane, WA</i>

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

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## SUBLIMITY INSURANCE COMPANY

Sublimity Insurance Company, a United Heritage company since May of 2003, provides home, automobile, farm and umbrella products to responsible insurance consumers in Oregon and Idaho. Our staff is comprised of technically knowledgeable insurance professionals who are committed to providing an “old-fashioned” level of service. Since 1896, Sublimity has offered reliable protection and friendly, responsive service to its policyholders and agents. Sublimity is pleased that 2005 afforded us the opportunity to make a substantial contribution to the financial results of United Heritage.



*G. Richer Budke  
President & CEO,  
SIC*

ASSETS .....	\$ 13,933,981
LIABILITIES .....	\$ 6,665,103
CAPITAL & SURPLUS .....	\$ 7,268,878
NET INCOME .....	<b>\$ 1,731,065</b>
DIRECT WRITTEN PREMIUM .....	\$ 10,718,399
AGENCY LOCATIONS .....	144

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

<i>Robert J. Schumacher</i>	<i>Sublimity, OR</i>
<i>Chairman of the Board</i>	
<i>James R. Hay</i>	<i>McMinnville, OR</i>
<i>Vice Chairman of the Board</i>	
<i>G. Richer Budke</i>	<i>Salem, OR</i>
<i>President &amp; CEO</i>	
<i>Harold L. Gilbert</i>	<i>Aumsville, OR</i>
<i>Ray D. Edwards</i>	<i>Lake Oswego, OR</i>
<i>Dennis L. Johnson</i>	<i>Boise, ID</i>

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



**UNITEDHERITAGE  
PROPERTY & CASUALTY COMPANY**

United Heritage Property & Casualty Company, formerly Idaho Mutual Insurance Company, began operations in 1908. In November of 2000, Idaho Mutual joined United Heritage as United Heritage Property & Casualty Company. In 2002 the company was admitted to Oregon, and entered Utah in 2004. The company is in the process of applying for admission to Arizona and Washington. Insurance is written on Homeowners, Farmowners, Home & Family, Landlord, and Business policies. Thanks to all of our employees and agents for another outstanding year. We showed substantial increases in Assets, Capital & Surplus, Direct Written Premium, and Net Income. Our combined Ratio of 81.4% was our third year in a row below 100%.



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

ASSETS .....	\$ 17,120,092
LIABILITIES .....	\$ 8,629,541
CAPITAL & SURPLUS .....	\$ 8,490,551
NET INCOME .....	<b>\$ 1,554,762</b>
DIRECT WRITTEN PREMIUM .....	\$ 13,363,951
AGENCY LOCATIONS .....	167

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

<i>Glenn S. Osborn</i>	<i>Wilder, ID</i>
<i>Chairman of the Board</i>	
<i>Richard H. Chipman</i>	<i>Boise, ID</i>
<i>Vice Chairman of the Board</i>	
<i>Brian E. Henman</i>	<i>Meridian, ID</i>
<i>President &amp; CEO</i>	
<i>George R. Banta, Jr.</i>	<i>Caldwell, ID</i>
<i>James R. Nall, Jr.</i>	<i>Meridian, ID</i>
<i>Glenn Smith</i>	<i>Boise, ID</i>
<i>Jack J. Winderl</i>	<i>Boise, ID</i>

***UHP&C Senior V. P. Marketing***  
*Sharon L. Locke*

**UNITEDHERITAGE  
FINANCIAL SERVICES, INC.**

United Heritage Financial Services, Inc. was founded in 1994, and is a NASD general securities broker-dealer offering a full range of investment products in 29 states. During 2005, UHFS entered Alabama and Wisconsin. The company continues to grow and expand its investment services for our clients. Investment offerings include stocks, bonds, municipal bonds, options, mutual funds, variable life and annuities, 401(k)s, and investment advisory services. The Company's home office is located on the first floor of the United Heritage corporate headquarters in Meridian, Idaho. 2005 was a record year for UHFS in both revenue and profits. We thank all of our clients, representatives and employees for the successful year.



*Jack J. Winderl  
President & CEO,  
UHFS*

ASSETS .....	\$ 1,373,278
LIABILITIES .....	\$ 232,218
CAPITAL & SURPLUS .....	\$ 1,141,060
NET INCOME .....	<b>\$ 96,423</b>
GROSS DEALER COMMISSIONS .....	\$ 4,661,301
LICENSED REPRESENTATIVES .....	118

***UHFS Board of Directors***

<i>Richard E. Hall</i>	<i>Boise, ID</i>
<i>Chairman of the Board</i>	
<i>Rodney L. Smith</i>	<i>Red Lodge, MT</i>
<i>Vice Chairman of the Board</i>	
<i>Jack J. Winderl</i>	<i>Boise, ID</i>
<i>President &amp; CEO</i>	
<i>Dennis L. Johnson</i>	<i>Boise, ID</i>
<i>Kent M. Delana</i>	<i>Boise, ID</i>

***UHFS Marketing Director***

*John J. Bellamy*

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*Member NASD/SIPC*

**UNITEDHERITAGE  
MUTUALHOLDINGCOMPANY  
ANNUALMEETINGNOTICE**

The annual meeting of the members of United Heritage Mutual Holding Company will be held on May 15, 2006 (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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**2006ANNUALMEETINGAGENDA**

**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  
UHFS President and CEO, Jack J. Winderl*

**Approval of the Minutes  
of the 2005 Annual Meeting**

**Election of Directors**

*The Directors standing for re-election are  
Rodney L. Smith (1 year term), Richard C. Waitley (1 year  
term), 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 Rodney L. Smith, Richard C. Waitley, 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. 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. 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 10, 2006. Please indicate your policy number in your letter and sign it.

**UNITEDHERITAGEMUTUALHOLDING  
COMPANY/FINANCIALGROUP  
BOARD OF DIRECTORS**



**Richard E. Hall, Chairman of the Board** - Resides in Boise, ID. Mr. Hall, an attorney, is 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



**Dennis L. Johnson, President and CEO** - Resides in Boise, 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. He is Chairman of the Boise Metro Chamber of Commerce for 2005-2006. Committees: Executive, Marketing, Compensation



**Richard C. Waitley** - Resides in Meridian, ID. Mr. Waitley has been President of Association Management Group for 29 years, which handles association management and lobbying for 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



**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 prior approval officer, regional loan production senior 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



**Ned E. Clark** - Resides in Heppner, OR. Mr. Clark is the President and majority shareholder of Horseshoe Hereford Ranch, Inc. and is Chairman 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

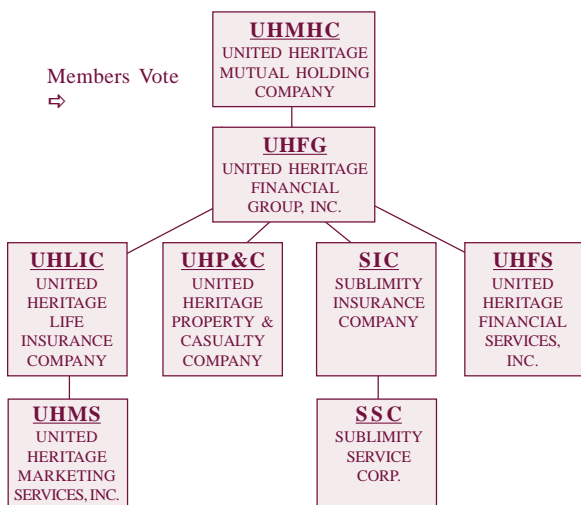


**Julie E. Prafke** - Resides in Spokane, WA. Ms. Prafke is the President of Humanix Personnel Services. She received her AA from North Idaho College, BA from Eastern Washington University and her MBA from City University in Spokane, WA. She is also the 2005-2007 Chairperson of the Better Business Bureau, serving Eastern Washington, North Idaho, and Montana. She has been on the United Heritage Life Insurance Company Board of Directors since 1995. Committees: Compensation (Chair), Marketing



**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 timber holding company since 1978. He joined the Sublimity Insurance Company Board of Directors in 1982 and was elected Vice Chairman in March 1999. Committees: Audit, Compensation

## MUTUAL HOLDING COMPANY ORGANIZATIONAL STRUCTURE



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### United Heritage Life Insurance Co. 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

*Patricia W. Klingberg, CPC, CSA*  
Vice President - PreNeed  
Meridian, ID

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### Regional Directors

*James R. Barlow - Gilbert, AZ*  
*Scott E. Englund, FLMI - Nampa, ID*  
*Robert A. Hanson - PreNeed - Stanchfield, MN*  
*Keith A. Kimball - Buckley, WA*  
*D. Michael Milwee - Garland, TX*  
*Calvin C. Mickelson - PreNeed - Grove, OK*