

# UNITED HERITAGE<sup>®</sup>

*Mutual Holding Company*



2007

## 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.*





All three insurance operating companies of United Heritage Financial Group (UHFG) had excellent financial results in 2007. United Heritage Life Insurance Company had net income of \$1.7 million; United Heritage Property and Casualty Company \$1.0 million; and Sublimity Insurance Company \$900,000. The combined income

of all companies after holding company expenses was \$3.3 million.

United Heritage Financial Group divested itself of the business of United Heritage Financial Services (general securities Broker-Dealer) during the first quarter of 2007. This business was assumed by Integrity Mutual Funds, Inc. through its Broker-Dealer, Capital Financial Services, Inc. (CFS).

Even with the turmoil in financial markets during 2007, all UHFG companies continued to have high ratings. United Heritage Life Insurance Company once again had its rating of A- Excellent (stable) renewed by AM Best rating service. Likewise, Sublimity Insurance Company and United Heritage Property & Casualty Company both had their B++ Very Good (stable) ratings affirmed by AM Best.

United Heritage Mutual Holding Company expresses its appreciation to the Directors, officers, employees, marketing directors, and agents for their hard work to bring you these excellent results. Our team has worked together for many years to serve the best interests of our policyholders by maintaining the financial strength of our companies and providing excellent policy values.

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 2007 were the 100% owned common stock of United Heritage Life Insurance Company, United Heritage Property & Casualty Company, and Sublimity Insurance Company. Combined Assets at year end were \$453 million. Combined Capital & Surplus totaled \$56 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 the management and allocation of capital. In addition, certain administrative functions such as Treasury, Legal and IT are provided across all entities.

During 2007, UHFG completed the sale of certain assets of United Heritage Financial Services, Inc. (UHFS) to Capital Financial Services of Minot, North Dakota. Subsequently, UHFS was merged into UHFG and ceased to exist.

### **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*

## 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 have recently been admitted in the states of Georgia, North Carolina, South Carolina, and Pennsylvania. With these admissions we are licensed to do business in 36 states.

ASSETS .....	\$411,703,364
LIABILITIES .....	\$370,069,829
CAPITAL & SURPLUS .....	\$41,633,535
NET INCOME .....	\$ 1,704,265
PREMIUM & ANNUITY	
CONSIDERATIONS .....	\$62,559,288
LICENSED AGENTS .....	1,163

*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 - Buckley, 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 full line of preferred personal lines products to customers in Oregon and Idaho, including homeowners, automobile, farm and farm truck, rental properties and personal umbrella.



*G. Richer Budke  
President &  
CEO,*

During 2007, significant efforts and resources were expended in upgrading and modernizing our building and furnishings, and those efforts will be completed in 2008. We have strengthened our back office systems infrastructure, and in the coming year will add automated billing and payment efficiencies for the benefit of agents and customers alike.

With five consecutive years of underwriting profits, Sublimity has built a strong financial base. We appreciate the efforts and the support of our employees and our agency partners as we look forward to future successes.

*Financial results are subject to final audit.*

ASSETS .....	\$16,757,879
LIABILITIES .....	\$ 8,029,280
CAPITAL & SURPLUS .....	\$ 8,728,599
NET INCOME .....	\$ <b>932,797</b>
DIRECT WRITTEN PREMIUM .....	\$12,689,231
AGENCY LOCATIONS .....	158

### *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>Harold I. Gilbert</i>		<i>Aumsville, OR</i>
<i>Dennis L. Johnson</i>		<i>Eagle, ID</i>
<i>Jerome C. Fischer, CPA</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. 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. In 2006, the company received certificates of authority from 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, and Direct Written Premium. Our combined Ratio of 93.2% was our fourth year in a row below 100%.



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

ASSETS .....	\$ 20,419,969
LIABILITIES .....	\$ 10,610,217
CAPITAL & SURPLUS .....	\$ 9,809,752
NET INCOME .....	<b>\$ 1,049,804</b>
DIRECT WRITTEN PREMIUM .....	\$ 14,793,075
AGENCY LOCATIONS .....	170

*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*

*George R. Banta, Jr.* *Caldwell, ID*

*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



**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



**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 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



**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



**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 19, 2008 (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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**2008 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 2007 Annual Meeting**

**Election of Directors**

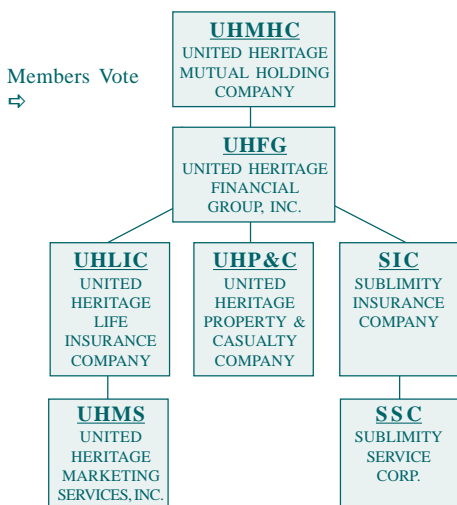
*The Directors standing for re-election are  
Richard E. Hall (4 year term),  
and Steven D. Hauschild (4 year term).*

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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 Richard E. Hall and Steven D. Hauschild 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 14, 2008. 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 14, 2008. 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

<i>Arizona</i>	<i>Oregon</i>
<i>Idaho</i>	<i>Utah</i>
<i>Washington</i>	

### Sublimity Insurance Company States of Licensure

<i>Idaho</i>	<i>Utah</i>
<i>Oregon</i>	<i>Washington</i>