

UNITED HERITAGE[®]

Mutual Holding Company



2008

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



The capital position of all United Heritage companies remained strong through the turbulent financial markets of 2008. Our minimal loss of capital was the result of solid operating results even while offsetting inevitable investment losses.

Due to the severity of the general equity market declines, accounting rules required us to realize losses in our small equity portfolio on stocks that were not sold. For the first time in recent memory, the insurance industry and many others had to take that action on a widespread scale and it makes net income results look worse than historical comparisons. Similarly, the bond portfolio was not immune to credit quality losses. Nonetheless, we were able to handle the losses with more than adequate capital cushions at all companies.

Sales remained strong through 2008 due to our market niche of offering conservative products. We sell interest sensitive fixed annuities that are a welcome product in light of stock market declines. Our interest sensitive Universal Life and stable pre-need and final expense products are a safe haven in today's turbulent financial world. Likewise, our homeowners and auto products are important to the financial security of everyday Americans.

While our results for 2008 may not seem impressive compared to previous years, they reflect a steady hand through a difficult year of a worldwide recession. That is why we have always been conservative – in good financial times and bad.

Thank you to our policyholders and members for their steadfast support. We will continue to work to keep your trust.

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 2008 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 \$465 million. Combined Capital & Surplus totaled \$63 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.

**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 distribute our products through independent life insurance agents, which totaled 1,365 at year-end. We are licensed in 36 states.

PREMIUM & ANNUITY	\$ 56,867,435
NET INCOME	(\$ 5,143,450)
ASSETS	\$ 420,525,299
LIABILITIES	\$ 380,503,770
CAPITAL & SURPLUS	\$ 40,021,529
CHANGE IN CAPITAL & SURPLUS	(3.9%)
LICENSED AGENTS	1,365

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

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 was founded in 1896 and 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*

Virtually all financial services companies were impacted by the economic downturn that characterized 2008. Solid performance from operations earned Sublimity its sixth consecutive year of underwriting profitability, and minimized loss of surplus. The company grew Direct Written Premium by 8.1% to \$13.7 million, staff was strengthened by adding necessary positions, and several important project initiatives were completed.

Working with our valued agency partners, we are well positioned to take advantage of additional growth opportunities in 2009.

DIRECT WRITTEN PREMIUM	\$ 13,718,377
NET INCOME	\$ 59,451
ASSETS	\$ 17,690,603
LIABILITIES	\$ 9,235,763
CAPITAL & SURPLUS	\$ 8,454,840
CHANGE IN CAPITAL & SURPLUS	(3.1%)
AGENCY LOCATIONS	175

Financial results are subject to final audit.

Sublimity Board of Directors

James R. Hay Chairman McMinnville, OR

Ray D. Edwards Vice Chairman Lake Oswego, OR

G. Richer Budke President & CEO Salem, OR

Dennis L. Johnson Eagle, ID

Jerome C. Fischer, CPA Salem, OR

William L. Bingle Salem, OR

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 Homeowners, Farmowners, Home & Family, Landlord, and Business policies in Idaho, Oregon, and Utah. The company is also licensed in Washington and Arizona. For the first time since 2002, we experienced an unprofitable year. Three reasons contributed to this situation: near catastrophic weather related losses; investment issues; and an extremely competitive market, which lead to reduced premium income. Due to several key changes in rates and the addition of auto insurance, we expect better results in 2009.



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

DIRECT WRITTEN PREMIUM	\$ 13,670,081
NET INCOME	(\$ 1,137,397)
ASSETS	\$ 19,557,114
LIABILITIES	\$ 11,248,639
CAPITAL & SURPLUS	\$ 8,308,475
CHANGE IN CAPITAL & SURPLUS	(15.1%)
AGENCY LOCATIONS	175

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



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 30 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 18, 2009, (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.

2009 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 2008 Annual Meeting**

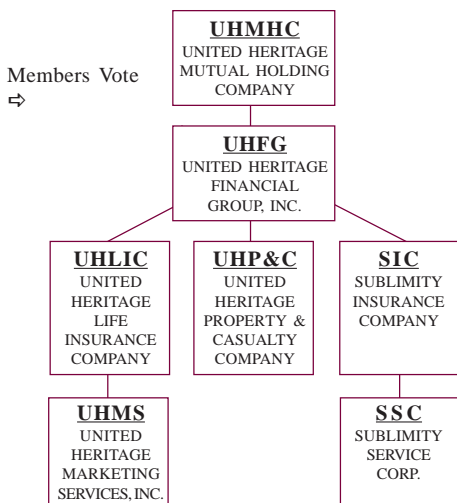
Election of Directors

*The Directors standing for re-election are
Dennis L. Johnson (4 year term),
and James R. Hay (4 year term).*

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 Dennis L. Johnson and James R. Hay 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 13, 2009. 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 13, 2009. 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>