

UNITED HERITAGE[®]

Mutual Holding Company



2010

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



2010 was a year of financial growth for all three United Heritage/Sublimity insurance companies. As a mutual organization, we reinvest earnings back into the companies to add to the strength of our balance sheets for the benefit of our members.

The surplus (capital) position of our companies is at an all time high. All three Companies had strong earnings, all three added to surplus, and all three had sales considerably higher than the year before. Combined net income was \$8 million. Total assets exceeded \$500 million for the first time and combined surplus was up \$7.7 million to \$69 million.

We are aware of the economic situation in our world filled with risks. We are committed to conservative management of the resources of our constituents to help them manage the risks they entrust to us.

Our life insurance, annuities, property, and auto products fit the needs of most Americans. Our service is personal and our agents are loyal. We strive to exceed expectations. On behalf of the Boards of Directors and management, we are pleased to report a very positive 2010 to you. We appreciate our dedicated employees and agents who make this possible so that we can better serve our policyholders.

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 2010 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 \$520 million. Combined Capital & Surplus totaled \$69 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 1,389 at year-end. We are licensed in 36 states.

PREMIUM & ANNUITY	\$ 56,524,584
NET INCOME	\$ 6,204,668
ASSETS	\$ 465,634,477
LIABILITIES	\$ 419,420,846
CAPITAL & SURPLUS	\$ 46,213,631
CHANGE IN CAPITAL & SURPLUS	13.2 %
LICENSED AGENTS	1,389

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, 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.



*G. Richer Budke
President & CEO,
SIC*

2010 was another successful year for the Company, with strong growth, solid earnings and underwriting consistency, resulting in a 14.3% Return on Average Equity and a 92.6% Trade Ratio. It was our eighth consecutive year of underwriting profitability.

Success is the result of perfection, hard work, learning from failure, loyalty to those for whom you work, and persistence. General Colin Powell

The professionalism and hard work of our agents and employees are the keys to our success.

DIRECT WRITTEN PREMIUM...	\$ 19,565,954
NET INCOME	\$ 1,514,016
ASSETS	\$ 23,393,831
LIABILITIES	\$ 11,928,160
CAPITAL & SURPLUS	\$ 11,465,671
CHANGE IN CAPITAL & SURPLUS	17.0 %
AGENCY LOCATIONS	206

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 & 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, business, umbrella, and auto policies in Idaho, Oregon, and Utah.



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

We are pleased with the results of 2010 as we increased our Direct Written Premium, Assets, and Capital & Surplus. We experienced a significant increase in our auto production in all three states and write approximately 11% of our business in this product line.

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 ...	\$ 19,448,208
NET INCOME	\$ 582,248
ASSETS	\$ 26,549,803
LIABILITIES	\$ 16,027,674
CAPITAL & SURPLUS	\$ 10,522,129
CHANGE IN CAPITAL & SURPLUS	9.2 %
AGENCY LOCATIONS	191

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, Risk Management, Retirement



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. Mr. Johnson is President and CEO of United Heritage Mutual Holding Company / Financial Group / Life Insurance Company. Mr. Johnson earned his BA from Northwest Nazarene University and his JD from the University of Idaho, College of Law.

Committees: Executive, Marketing, Compensation, Risk Management, Investment, Retirement



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*



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



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 16, 2011, (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.

2011 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 2010 Annual Meeting**

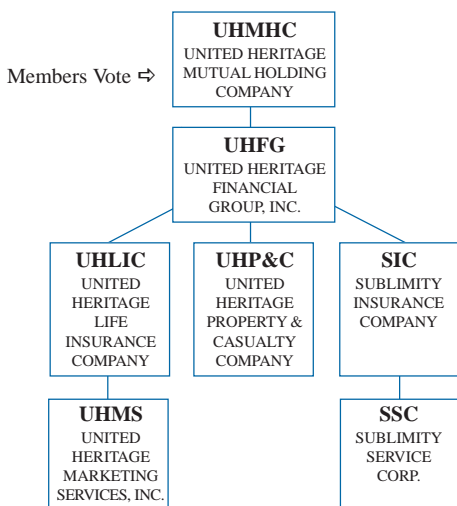
Election of Directors

*The Directors standing for re-election are
Rodney L. Smith (4 year term),
and Richard C. Waitley (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 Rodney L. Smith and Richard C. Waitley 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 11, 2011. 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 11, 2011. 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>