

**UNITED HERITAGE**

Mutual Holding Company



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**UNITED HERITAGE**  
INSURANCE

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# 2011 Annual Report

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

## PRESIDENT'S MESSAGE



Financial security is the hallmark of a fine insurance company. We take pride in the financial strength of all three insurance companies that make up the United Heritage Financial Group.

Our combined surplus, often referred to as policyholder equity, is at its highest level ever at \$76 million. All three companies had excellent surplus growth, which creates great security when considering claim paying ability. Given the issues taking place in Europe and our United States' budget troubles, United Heritage will remain focused on continued growth of our surplus going forward.

Combined premiums were a record \$101 million. Combined operating income was a record \$10.9 million and combined net income was a record \$9.3 million including utilization of certain tax carry-forwards.

We offer insurance needed by the average American. Our life insurance, annuities, homeowners, auto, and ancillary coverages protect Americans from many of life's risks. But, our personal service sets us apart from the average insurance company.

Thank you to all who support the Company and make these results possible. Your Boards, management, employees, and agents function as a team to serve you. Thank you for your business.

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 2011 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 \$549 million. Combined Capital & Surplus totaled \$76 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 supervision of the three operating companies and management and allocation of capital. In addition, certain administrative functions, such as Investments, Treasury, Legal and Information Technology, are provided through UHFG for 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 1,258 at year-end. We are licensed in 37 states.

LIFE & ANNUITY PREMIUM .....	\$ 57,980,294
NET INCOME .....	\$ 5,310,714
ASSETS .....	\$ 486,568,137
LIABILITIES .....	\$ 437,444,136
CAPITAL & SURPLUS .....	\$ 49,124,001
CHANGE IN CAPITAL & SURPLUS .....	6.3 %
LICENSED AGENTS .....	1,258

*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*

*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*

*The quality of expectations  
determines the quality of our  
action.*

*Jean-Baptiste Andre' Godin*

We planned and expected 2011 to be another successful year for the Company. Our rate of growth more than doubled that of the industry as a whole and we achieved our ninth consecutive year of underwriting profitability. The professionalism and hard work of our agents and employees are the keys to our success.

DIRECT WRITTEN PREMIUM .....	\$ 21,193,481
NET INCOME .....	\$ 1,280,833
ASSETS .....	\$ 25,977,725
LIABILITIES .....	\$ 12,733.602
CAPITAL & SURPLUS .....	\$ 13,244,123
CHANGE IN CAPITAL & SURPLUS .....	15.5%
AGENCY LOCATIONS .....	228

*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*

#### ***Marketing Manager***

*Michael D. Joy*

#### ***Senior Marketing Representative - Idaho & Utah***

*Gregory A. Bowen*

## 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 very pleased with the 2011 results as we increased Net Written Premium over \$2,135,000 (13.4%); Net Earned Premium over \$2,789,000 (19.3%); the Combined Ratio of 98.1% is an improvement of 4.1 percentage points over 2010; and Surplus increased almost \$1,900,000 over 2010. Our auto production increased 61% over 2010 and now represents over 16% of our Direct Written Premium.

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

DIRECT WRITTEN PREMIUM .....	\$ 22,080,188
NET INCOME .....	\$ 1,306,502
ASSETS .....	\$ 31,525,619
LIABILITIES .....	\$ 19,117,112
CAPITAL & SURPLUS .....	\$ 12,408,507
CHANGE IN CAPITAL & SURPLUS .....	17.9 %
AGENCY LOCATIONS .....	217

*Financial results are subject to final audit.*

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

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

*Nancy K. Napier, PhD* *Boise, ID*  
*Vice Chairman of the Board*

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

*Jack J. Winderl, CPA* *Boise, ID*

*Joseph P. Shirts, CPA* *Eagle, ID*

*Mickey L. Ware, CPCU* *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, practices law with the law firm of Duke Scanlan and Hall PLLC in Boise, ID. In 2010 Best Lawyers named Mr. Hall as Boise's "Lawyer of the Year" in Personal Injury Law and in 2011 Mr. Hall was named Boise's "Lawyer of the Year" in Insurance Law. 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 named 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 for over 30 years, handling 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 credit officer, 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 started in banking in 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 a Director on 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. Profke**

*Resides in Spokane Valley, WA. Ms. Profke 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. He has been on the Boards of United Heritage Mutual Holding Company and United Heritage Financial Group since 2003.*

*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 21, 2012, (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 those who own a policy issued by either United Heritage Life Insurance Company or Sublimity Insurance Company.

**2012 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 and CEO, Brian E. Henman*

**Approval of the Minutes  
of the 2011 Annual Meeting**

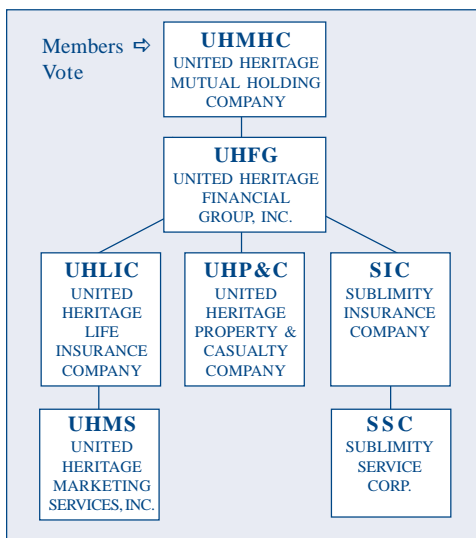
**Election of Directors**

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

**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 21, 2012. 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 16, 2012. 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>Kansas</i>	<i>Oklahoma</i>
<i>Arizona</i>	<i>Kentucky</i>	<i>Oregon</i>
<i>Arkansas</i>	<i>Louisiana</i>	<i>Pennsylvania</i>
<i>California</i>	<i>Michigan</i>	<i>South Carolina</i>
<i>Colorado</i>	<i>Minnesota</i>	<i>South Dakota</i>
<i>Florida</i>	<i>Missouri</i>	<i>Tennessee</i>
<i>Georgia</i>	<i>Montana</i>	<i>Texas</i>
<i>Hawaii</i>	<i>Nebraska</i>	<i>Utah</i>
<i>Idaho</i>	<i>Nevada</i>	<i>Virginia</i>
<i>Illinois</i>	<i>New Mexico</i>	<i>Washington</i>
<i>Indiana</i>	<i>North Carolina</i>	<i>Wisconsin</i>
<i>Iowa</i>	<i>North Dakota</i>	<i>Wyoming</i>
	<i>Ohio</i>	

### United Heritage Property & Casualty Company States of Licensure

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

### Sublimity Insurance Company States of Licensure

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

