



PROGRESS REPORT

Our
Business
is **YOU!**



Londen Companies

A HERITAGE TO BE PROUD OF

The past year had its share of dramatic events. We witnessed a vast meltdown of wealth as the real estate market and the financial markets all experienced large losses. We also witnessed the greatness of our nation as we again had a properly conducted election with a peaceful transition of power.



Even with the recent setbacks in the financial system, we are still the freest nation in the world with untold opportunities for those with spirit and determination who are willing to work. We are fortunate at Lincoln Heritage that every economic downturn we've witnessed has inspired our field force to create an increase in sales.

America's freedom of opportunity is what has allowed so many of us on the Lincoln team to vault from virtual poverty to great success. The result is not an over-interest in accumulating and hoarding the most possible, but rather an intense dedication to offering the highest service possible.

This is demonstrated as I visit with the people who are our partners in this great enterprise, and I ask them of their most treasured moment in our business. They invariably quote a widow or widower saying, "Lincoln Heritage touched my life on the toughest day I ever had to face." That is work worth doing and a proud legacy for all of us.

There is no better time to be living in this great nation of ours and no better time to be a part of this company. May God grant that both our unique nation and our unique company continue to grow and prosper this year and in the years to come.


Jack Londen, CEO

2.

OUR PHILOSOPHY

We Believe:

We Believe:

- In *private ownership*. There can be no doubt that public companies serve a great purpose, especially in amassing the huge amounts of capital needed for large projects. But public ownership creates enormous pressure for short-term results. Because we are private, we can afford to take a longer-term view, even if it impacts short-term results.

We Believe:

- In the *power of the individual*. Committees and consensus can only do so much; there is a time and place for bold action by an individual who wants to rise above the rest.

We Believe:

- In having the *right incentives*. Most people want to do the right thing; they only need to have the proper motivation and appropriate rewards for delivering results.

We Believe:

- In *exceptional service*. The only way to build long-term value is to provide honest, friendly and personal experiences.

A SAFE HARBOR FOR TOUGH TIMES

The fact that the country (and the entire world for that matter) is in a severe economic downturn is an unavoidable reality. Banks, investment banks and insurance companies have all been pummeled from falling asset prices. In such an environment, it only makes sense to wonder where to turn to find a shelter from this storm.



My contention is that you have found such a place with us. There are many reasons for my optimism, and I could go on for pages about it, but in the interest of brevity, here are the highlights:

1. We are very well capitalized. All of the companies that have failed or have been bailed out by the government have been overleveraged. When you only have 2 or 3 percent in capital against your liabilities, a small loss wipes you out. We are capitalized several times higher than that and thus are able to absorb the investment losses that have arisen in this very rough market.
2. Lincoln sells simple, straight-forward products to real people who are dealing with real needs. This is the opposite of financial engineering. Our products are priced to make a fair profit even when investments don't go our way. Everyone understands what we do and how we make our money.
3. We are privately owned. The Londen family does not answer to Wall Street or some hedge fund. We are able to make rational, conservative decisions without having to answer to shortsighted traders looking to make a quick buck.
4. Lincoln is about real people. We associate with honest, hardworking people who are in it for the long haul. The fast buck artists and financial engineers have never been nor ever will be part of our equation.
5. Our markets actually perform better during tough times. While this may seem counterintuitive, it is not really. When times are tough, people become more security oriented and look for guarantees. That is what we are all about.

We live in very challenging times, no doubt about it. But this is the place to survive and thrive during these times. And most of all, we have the honor of helping thousands of families on the very worst day of their lives. That is a legacy of which we can all be proud.

A handwritten signature in black ink that reads "Tom Londen". The signature is fluid and cursive.

Tom Londen, President

GROWTH & ACQUISITIONS

While domiciled under the laws of the state of Illinois, Lincoln Heritage Life Insurance Company maintains its executive offices in Phoenix, Arizona. Lincoln Heritage Life has experienced phenomenal growth during its 40 plus years. In the past, our growth was achieved through acquisition of blocks of insurance business from other companies. Our background is rooted in service.

Our chairman, Jack Londen, began his career in 1963 by founding the company Arizona Life Trust. In the years since, he acquired many other companies, as detailed below, evolving to the Lincoln Heritage Life Insurance Company that you know today.

Acquired

Optimum Insurance Company	Hamilton	Bermuda	1974
Accredited Hospital & Life	St. Louis	MO	1975
Lincoln Heritage Life	Springfield	IL	1975
National Union Life	Poplar Bluff	MO	1976
Allegheny National Life	Valley Forge	PA	1977
Nationwide Security Life	Tucson	AZ	1980
Equitable National Life	Phoenix	AZ	1981
Financial Management Life	Carmel	IN	1981
Equity Benefit Life	Blackwell	OK	1981
Modern Income Life	Decatur	IL	1984
First Equity Security Life	Indianapolis	IN	1984
Dakota National Life	Rapid City	SD	1985
People's Accident	Lincoln	NE	1987
Gulf National Life	Waco	TX	1987
Western Reserve Life	Grand Junction	CO	1987
Columbia Life	Bloomsburg	PA	1987
Home State Life	Wichita	KS	1988
Western Mutual Life & Casualty	Rapid City	SD	1991
Life of Boston	Malden	MA	1991
National Capital Life	Oklahoma City	OK	1992
Consumers Life	Wilmington	DE	1992
Consumers Life of North Carolina	Gastonia	NC	1992
United Liberty Life	Cincinnati	OH	1994
Revelation Life	Jefferson City	MO	1995
Provident Indemnity Life	Norristown	PA	2002

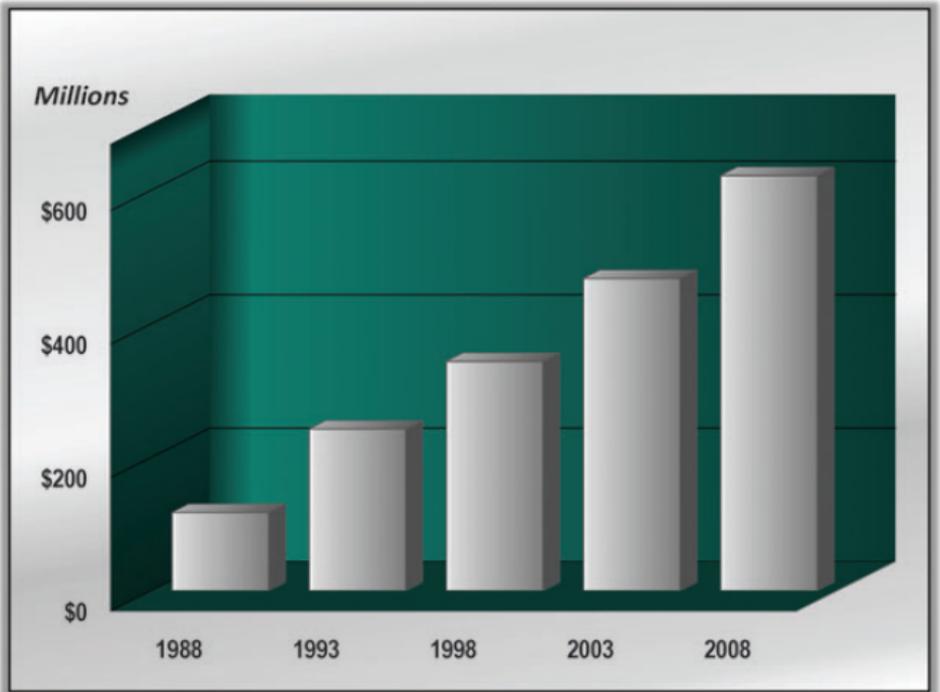
By combining these acquisitions with strong support from our field force, Lincoln Heritage currently insures approximately 443,000 policyholders with an amount of insurance in force of \$2.5 billion. Financial strength and quality of service are the cornerstones of our company's strong foundation.

5.

OUR VALUES

1. We acknowledge that there is a better way to do everything we do and we ***constantly seek improvement.***
2. Change for the sake of change is undesirable. ***Change to improve service*** is essential.
3. ***Exceed expectations.*** Only satisfied customers (both field associates and consumers) can guarantee long-term success.
4. Each effective team member will ***lead while being led.***
5. Leaders ***share knowledge*** rather than withholding it as an element of power.
6. We must be careful in making commitments, and exacting in keeping them. ***A promise made is a promise kept*** — on both sides.
7. All rules ***pass the "smell" test,*** other than those imposed by government.
8. We strive to maintain a ***team spirit*** in which every associate has the attitude of an owner.

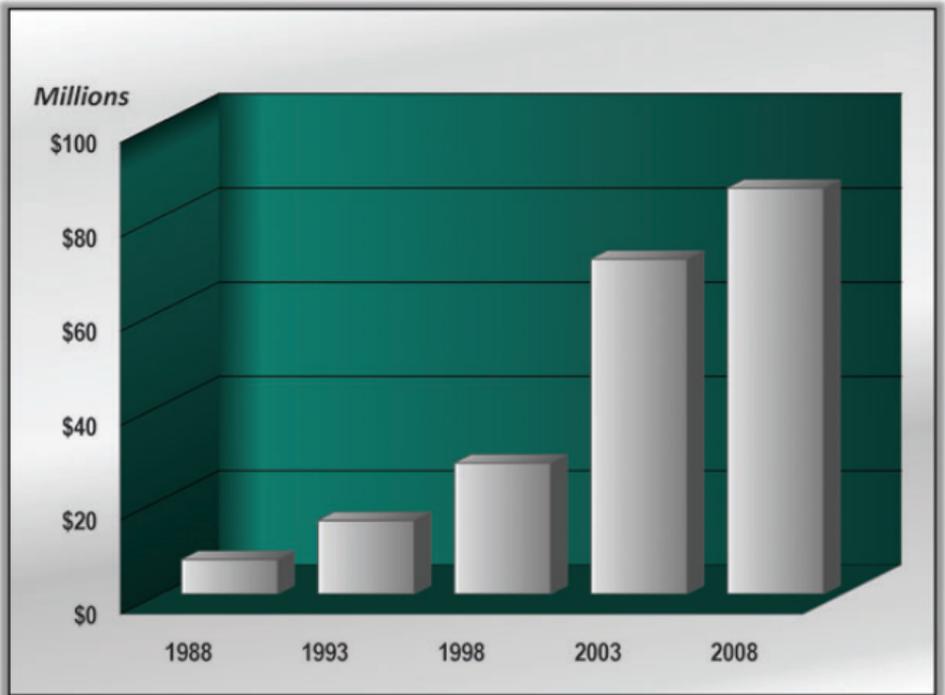
ASSETS



Lincoln Heritage Life Insurance Company assets are invested in a diversified and conservative portfolio of high quality investments. The company does not invest in the asset classes that have caused problems for some insurers recently.



CAPITAL & SURPLUS

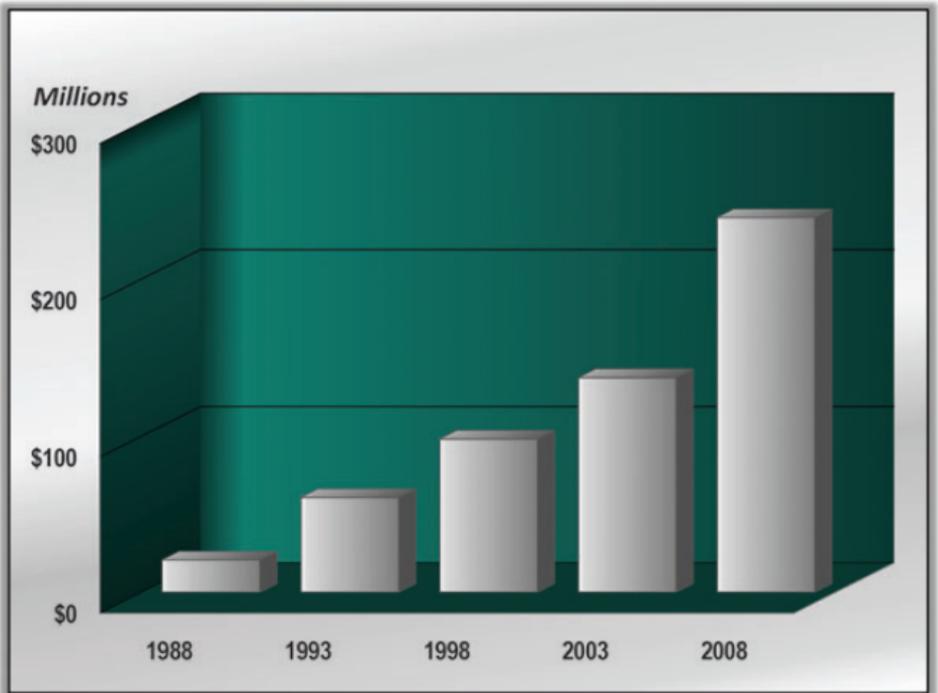


"Lincoln Heritage Life Insurance Company is one of the best capitalized companies in the life insurance industry. Its capital to liabilities ratio of 16% is approximately three times the industry average."

-Larry Schuneman, CFO



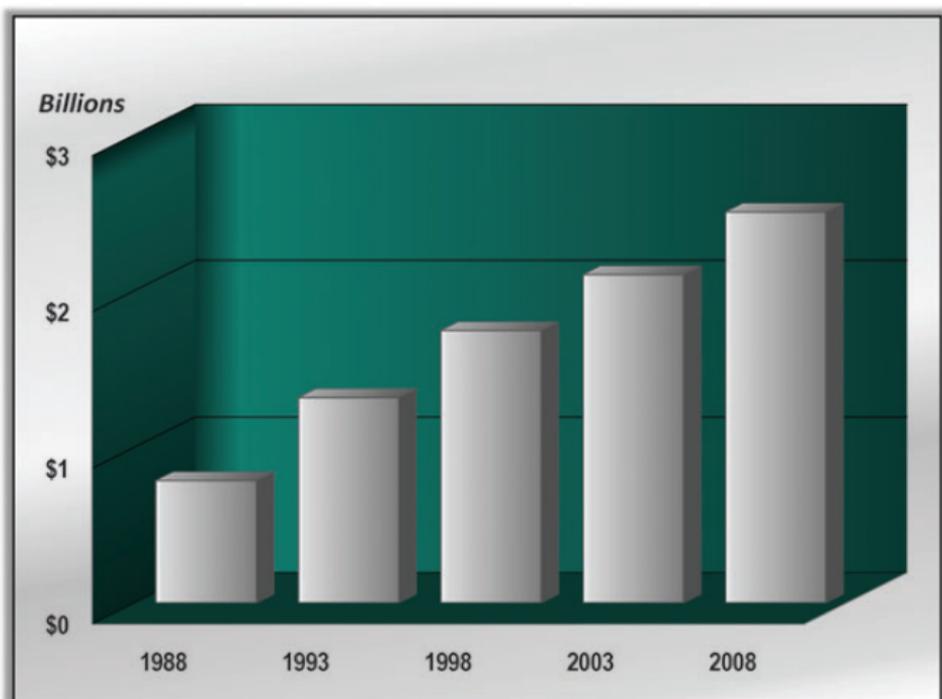
PREMIUM INCOME



The consistent growth of premium resulting from our well established market position has significantly contributed to our strong capitalization.



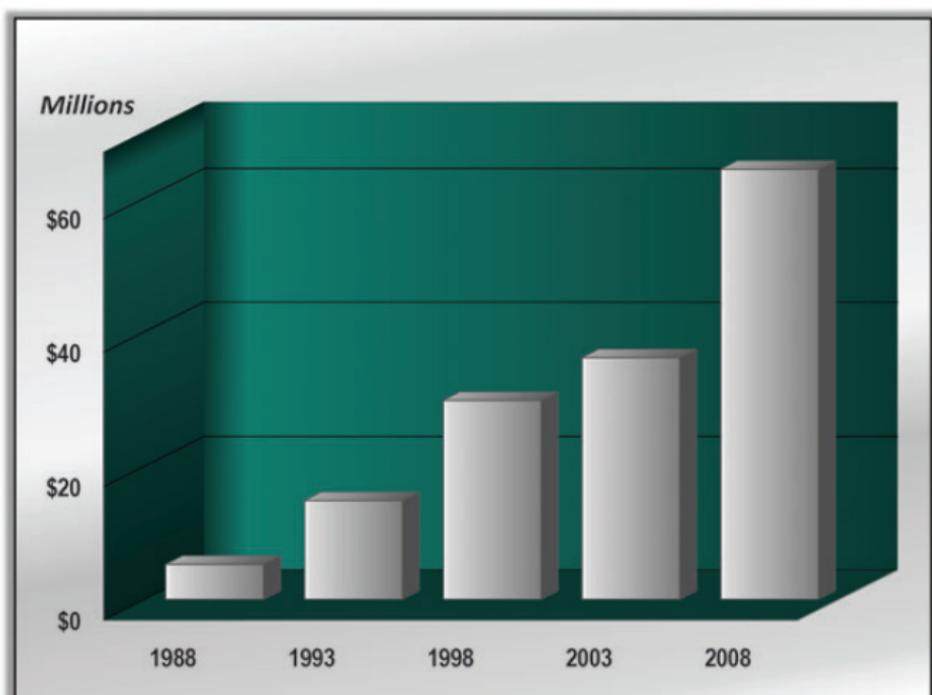
INSURANCE IN FORCE



The company's strong growth in insurance in force results from consistent focus on providing the best final expense and preneed products in the industry.



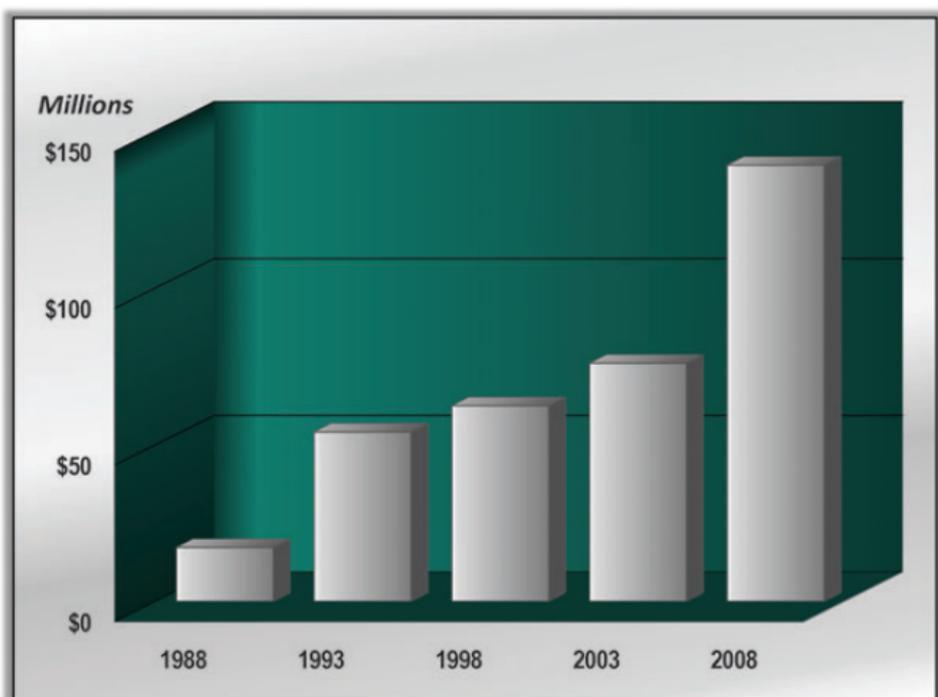
COMMISSIONS PAID



The significant growth in commissions paid is a result of a very competitive agent compensation system combined with a strong lead generation program.



POLICYHOLDER BENEFITS



We take great pride in providing outstanding service to our policyholders. Claims are paid within 24 hours of receipt of documentation.



12.

FINAL EXPENSE INSURANCE

Our Final Expense production increased by 23% in 2008. Despite the economic turmoil, our position in the final expense market remains very strong. We have been in the final expense market since 1963 and continue to provide the senior market with a variety of final expense products to meet their needs.

We have been affiliated with the strongest final expense agencies in the country for over 20 years. They have helped us build a strong block of business and build a strong surplus. At the same time, our commitment to service and lead generation programs has made our relationship stronger.



Lincoln Heritage provides the most sophisticated and efficient lead system. We offer a variety of lead sources like TV, Cable, direct marketing, inserts, and on-line distribution. The variety of lead sources provide low cost, high quality leads on a consistent basis.

For the last 8 years, our partnership with Funeral Consumer Guardian Society (FCGS) has given us a competitive edge over our competitors. In addition to providing insurance for final expenses, we are able to provide assistance to families in planning and placing funerals through FCGS.

Our policyholders also benefit from product offers from our ancillary lines of business. Their loyalty to Lincoln Heritage products is evident in our high persistency rates.

Our success in the final expense market is built upon trust, loyalty, our hard working sales force, competitive products, and the best service in the industry.

One of our company's most important values is that we believe change is an essential tool for constant improvement. It is in that spirit of change that the Spanish Marketing Division was born. The Hispanic market is booming and the demand for products in the Spanish language is now more pressing than ever.

Our Spanish Division offers our complete Final Expense program in Spanish; from applications, policies and leads, to service forms and letters backed by a helpful Spanish-speaking staff. Our



Spanish program also includes helpful funeral planning options through our FCGS memberships. Customers who take advantage of this free membership receive valuable support from the Spanish-speaking staff at the FCGS office.

Our Spanish Final Expense program has taken off. We now have more than 6,000 policyholders accounting for almost \$4 million in annualized premium.



Lincoln Heritage Life Insurance is pleased to be the insurance carrier selected to fund The Catholic Funeral Plan™, a faith-based planning alternative that utilizes a customized final expense life insurance product designed to grow so as to provide the funds for the funeral expenses of those enrolled.



The Plan was first started in the Roman Catholic Diocese of Pittsburgh in 1998 and has since expanded to five additional dioceses, with other dioceses considering implementation. The Plan began in response to growing concern about the erosion of Catholic liturgical traditions at the time of death. It promotes the importance of Catholic funeral and liturgical traditions and provides Catholic families with a practical way to incorporate them, by recording the funeral preferences of those enrolled and communicating those preferences to those responsible for arrangements and the Church at the time of death.



*Saint Paul Cathedral,
Diocese of Pittsburgh, Pittsburgh PA*

Response to The Catholic Funeral Plan™ has been overwhelmingly positive. Since its beginning, The Catholic Funeral Plan™ production has been in excess of \$57 million and is growing at a rapid rate.

Our preneed division, known as Lincoln Heritage Funeral Planning, has seen growth of more than 300 percent in the last three years and has been revolutionizing the preneed market with its new ProActive Preneed™ program.

ProActive Preneed provides financial security and peace of mind through innovative products. We grow partnered funeral homes' market share exclusively through superior recruiting, efficient and effective sales and marketing programs, and leading-edge technology. Many firms discover that this program not only enhances their services, but it also builds their bottom lines.



Our team provides families with the best death protection available in the industry, with more options like low payments and first-day coverage. We provide counselors with quality appointments, unmatched marketing support and better benefits, perks and growth opportunities than any of our competitors. What sets us apart is we take personal responsibility for growing funeral home partners' market share — at-need and preneed.



"As Benefits Coordinator at our funeral home, I was quite impressed at the turnaround time of funding. Our families, as well as our business office, would greatly appreciate this kind of service from all of the insurance companies that we work with. And a special thank you for funding A.B. so quickly. These truly were 'pennies from heaven' for her!"



***L.K., Benefits Coordinator,
Caldwell, Idaho***

"I must say that I have not one company (NOT ONE) respond as promptly as you have in settling this claim. I have dealt with many insurance companies and usually have to wait four or five weeks for payment. Thank you for your payment. The family should also be happy that things were handled without a lot of red tape and without any hassles."



***J.J.M., Funeral Director,
Chicago, Illinois***

"Some things/actions speak for themselves. When we receive your policies there is never a doubt about the superior service we will receive."

W.H., Funeral Director, Union Springs, Alabama

"I would like to commend you and your employees for providing such excellent customer service in working with a claim. Your company's response was very fast in payment. There are some insurance companies that take up to a month to complete a claim for the funeral home and the family. When my husband first called into your company to get information on how to file a claim and to see if the company accepted insurance assignments, your operator was very helpful, courteous and made sure that we had all the information needed.



What a pleasure it was working with Lincoln Heritage."

D.T., Office Manager, Pensacola, Florida

"I received the death benefit check this morning and I want to thank you for your prompt attention to my claim. Also thank you for your kind message of sympathy regarding my loss of my husband, A. We were married 58 years – a long time. I am also pleased that we had the insurance policy with the company – also a long time."

A.L., Customer, Ludlow, Vermont

"I was impressed with the customer service from our first contact by telephone. The service representatives were knowledgeable and very helpful. Your company handled the claim in a professional manner. The payment on the claim was indeed paid in a short amount of time. Thank you for assisting us with the settlement of this claim. Again, your company's service was outstanding."

***J.G.W., Co-Owner,
Fortuna, California***



"I have received your letter and the insurance proceeds check for E.M. We have taken note at the expediency at which you processed this claim. This is actually the second policy you have handled for us – and we received the same FANTASTIC service on both occasions. I only wish every insurance company was as responsive and quick on their claim turnaround as Lincoln Heritage."



P.Y., Funeral Director, Santa Clara, California

AZ-TV is the only locally-owned, family-owned and operated television station in any top 20 TV market in the U.S.

AZ-TV specializes in fun, family-friendly programming, such as the popular contemporary comedies "According to Jim," "Frasier," "Cheers," and "George Lopez." Locally produced programs including "The Pat McMahon Show," "AM Arizona," and "The Chat Room" are also an important part of the station lineup. Local sports play a role in the schedule, with programming produced by the NFL Arizona Cardinals and the NHL Phoenix Coyotes as well as local collegiate games. Movies and a new national news show fill out the remainder of the broadcast schedule.



While each team member at AZ-TV was grieved over the loss of GM Ron Bergamo in an auto accident in January of 2008, Jeff Burnton, AZ-TV's new General Manager, has brought the needed leadership and innovation to boost the station to the next level of growth. Burnton believes in serving the community and bringing content that viewers find useful and important to their lives.



Jack Londen expresses his pride in being part of this enterprise: "AZ-TV provides real value to our customers, with advertising exposure at a cost per viewer that is far lower than is available through the corporate media titans that control the vast majority of television outlets. This is a real home-grown, family owned alternative."

We believe we have been blessed and it is our duty to give back. We have been strong supporters of various good works over the years, as illustrated by these investments in our future:

ARTHRITIS FOUNDATION

We began our involvement with the Arthritis Foundation because Dodie Londen fought bravely against the disease for many years. Dodie was active on the Foundation's board for many years, including serving as its chairperson. We provided a \$1 million grant to fund summer camp facilities for children with arthritis.



TEEN OUTREACH

A former drug addict, John Vinson concluded, through his personal experience, that the best way to kick the torment of addiction is through intensive, residential, faith-based treatment.

He founded a center in South Phoenix for teens who need such help to kick their addictions. The Londen Companies donated the funds to



buy the property that serves as its treatment center and has since purchased additional land for expansion. Teen addicts are now receiving the help they need to overcome that terrible burden.

JUVENILE DIABETES RESEARCH FOUNDATION

Tom Londen's daughter, Elizabeth, was diagnosed with juvenile diabetes at age 6. Tom became involved with the JDRF shortly thereafter, and has served as a board member of the Arizona chapter, as well as its president.



The Londen Companies have sponsored numerous events for the JDRF, with contributions totaling several hundred thousand dollars.

LONDEN INSTITUTE FOR EVANGELISM

Jack Londen has always believed in the practice of evangelism as a way to spread his cherished faith. The



Londen Companies and the Londen family have provided more than \$2 million to establish the Londen Institute for Evangelism in Corona, California.

ARIZONA SCHOOL CHOICE TRUST

Through a payroll deduction program, home office associates provide a chance for low-income children to get a better education at the school of their parents' choice.



OFFICERS

Jack Londen
Chairman/CEO

Tom Londen
President/COO

Larry Schuneman
Senior Vice President/
CFO

VICE PRESIDENTS

Norman Beazer
Marketing/Operations

Carol Berger, MBA
Information Technology

Shirley Grossman
FLMI, FLHC, AIRC, ARA, ACS
Compliance

Judy Pettit, FSA, MAAA
Chief Actuarial

Dean Lathrop
Treasurer/Senior Vice
President

Lynn Londen
Acquisitions

Fran McGovern
Direct Response
Marketing

Monica Mone, FLMI
Preneed

Keith Perkins
FLMI, ALHC, ACS
Policy Benefits

Doug Turner, FLMI
Marketing

Cheryl Wilson
ACS, AIAA, AFSI, ALMI
Policyholder Services

ASSISTANT VICE PRESIDENTS

Melanie Bearden, CPA
Assistant Controller

MANAGERS**Marsha Baer**

CCP, ALHC, ACS, AIRC
Policy Benefits

Marce Boersma

Associate Services

Patrick Cardone

FLMI, ACS
Facilities

Eric Clark, ACS

Talent Recruitment and
Development

Mark DeCroce

Policyholder Support,
Imaging & Supplies

Faustino Gomez

Director/Information
Technology &
Operations

Brandon John

Direct Response
Marketing

Rosie Knox

Underwriting
Final Expense

Matt Londen

Investments

Beth Maddestra

FLMI, ACS, AIAA
New Business
Final Expense/
Medicare Supplement

Michelle Patton

Agency/Final Expense

Paula Rodriguez

Director/Information
Technology

Vicki Sheffield, ACS

Policyholder Call Center/
Reception

Amanda Swyers, ACS

Policyholder Call Center/
Reception

Sarah Tomczak

Preneed

ASSISTANT MANAGERS**Michael Dora**

Imaging, Mail & Supplies

Meredith Simon

New Business
Final Expense

Maday Villa

New Business
Final Expense Spanish

MAIN NUMBER

Phone: 602-957-1650 ■ Toll Free: 800-433-8181

Career Opportunities

Phone: 602-957-1650

E-mail: Resume@londen-insurance.com

Final Expense Agent Support

Phone: 800-750-6404 ■ Fax: 602-840-0969

E-mail: Marketing@lhlic.com

Final Expense Service and Claims

Phone: 800-438-7180 ■ Fax: 602-808-0521

Claims Fax: 602-808-8845

E-mail: Service@lhlic.com ■ Claims@lhlic.com

Spanish Agent Support and Service

Phone: 888-881-7391 ■ Fax: 602-224-2246

E-mail: Spanish@lhlic.com

Medicare Supplement

Phone: 800-287-7319 ■ Fax: 602-522-7004

E-mail: Medicare@lhlic.com

Preneed

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