The illustrations on the cover and throughout the pages of this annual report demonstrate the broad scope of benefits provided to American wage earners and their families through the insurance and pension services of The Union Labor Life Insurance Company. We are constantly expanding and improving our traditional coverages to meet the needs of our policyholders. The quotes contained on pages 5, 8, and 10 are those of the late Matthew Woll, founder and first president of Labor's Own Insurance Company.
highlights of the year

<table>
<thead>
<tr>
<th></th>
<th>1978</th>
<th>1977</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
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<td>$404,479,621</td>
<td>29.1</td>
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<tr>
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<tr>
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<tr>
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<tr>
<td>LIFE INSURANCE IN FORCE</td>
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<td>3,462,347,000</td>
<td>4.3</td>
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<tr>
<td>BENEFIT PAYMENTS AND DIVIDENDS TO POLICYHOLDERS</td>
<td>286,149,035</td>
<td>276,394,158</td>
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<tr>
<td>TOTAL SURPLUS AND CAPITAL</td>
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<tr>
<td>GENERAL INSURANCE EXPENSE RATIO TO TOTAL INCOME</td>
<td>3.44%</td>
<td>3.80%</td>
<td>—9.5</td>
</tr>
</tbody>
</table>

contents

Chairman's Report  2
President's Letter  4
ULLICO and the Union Family  5
Year in Review  11
Balance Sheet  15
Summary of Operations and Surplus  16
Statement of Changes in Financial Position  17
Notes to Financial Statements  18
Board of Directors and Executive Committee  20
To Our Stockholders, Policyholders and Friends:

This report reviews more than a half-century of insurance and pension service to the Trade Union Movement and the public in general. At the same time it provides an insight as to new directions that the Company will take in maintaining its tradition of protecting American wage earners and their families in every possible way against risks met in their day-to-day lives.

Conducting its operations in a highly ethical manner consistent with the purpose of its being, The Union Labor Life Insurance Company, by being aggressively competitive, has achieved a standing in the insurance industry as one of the largest underwriters of group insurance in the United States and a growing force in the group pension field.

We are also striving to become a major factor in other forms of insurance coverages that may be negotiated in contracts between labor and management so that ULLICO may offer to groups as well-rounded an Employee Benefits package as possible. We are hopeful that we will have our own casualty insurance operation to underwrite these new coverages by the end of 1979. More details on the new casualty products we are researching and developing are contained in the narrative that follows.
This narrative strongly emphasizes the reason for ULLICO's being and tells how the Company's fortunes over the years have been inextricably interwoven with the betterment of the working person's health and welfare. An outstanding example of this is our payments of $236,149,035 in benefits to policyholders and beneficiaries in 1978.

As in previous years, the performance of your Company in 1978 was truly outstanding. Assets passed the one-half billion dollar mark and should exceed one billion dollars within four years or so, based on our current rate of growth. Other major phases of our successful insurance operations such as premium and investment income, insurance in force and surplus funds and capital also set all-time highs. The Year in Review section of the Report gives details on these achievements.

Our 1978 accomplishments were not without problems. Continuing unemployment, particularly in the building and construction trades, soaring interest rates and disturbing developments abroad all served to cast a cloud over the national economic picture. On an insurance industry level, we and other group insurers were coping with the problem of some groups imprudently opting for self-insurance or self-funding.

ULLICO in these instances showed strong industry leadership, attacking the unemployment situation through its now well-established "J FOR JOBS" Separate Mortgage Account, and by mounting an incisive campaign to dissuade Trustees of Health and Welfare Plans from taking a risky non-insured approach.

The closing of 1978 witnessed major changes in the ULLICO senior management team, with the retirement of Rudolph Ellis as President, after 50 years with the Company, and the election of Daniel E. O'Sullivan, formerly Executive Vice President, to succeed him.

Mr. Ellis was retained as Senior Advisor to the Company. His five decades of service to the Company, its policyholders, and its stockholders have provided a framework for a new era of promise for ULLICO.

As an integral part of senior management since 1970, his successor, Mr. O'Sullivan, who has served ULLICO in marketing and managerial positions since 1950, is eminently qualified to undertake a larger leadership role in advancing the Company to even greater success in upholding its position as Labor's Own Insurance Company.

George Holland, formerly Senior Vice President-Financial Coordinator, was promoted to Senior Vice President-Corporate Development. The principal duties of Mr. Holland, who joined ULLICO in 1942, will be to set up ULLICO's casualty insurance operations for the new coverages contemplated.

Assuming Mr. Holland's former securities investment responsibilities will be Edgar A. Robie, Jr., who was promoted to Vice President-Investments. He joined the Company in 1977 as Second Vice President-Investments after serving as an investment executive for a major mutual life insurance company.

ULLICO's high standing in the insurance industry, within the American Trade Union Movement and in the business world, is basically the direct result of many personal and individual contributions. Our recognition goes to the dedicated work of our Home Office staff and branch office personnel who carry on their responsibilities with great initiative and enthusiasm. The prudent insurance management and leadership of our Directors and Officers assure excellence in accomplishment and operation.

Because of the confidence and support of our policyholders, our shareholders as well as labor and management, we believe we will be able to build an even stronger ULLICO in the years to come.

[Signature]
Chairman of the Board
April 25, 1979
Since its inception, ULLICO's business has been people. The people who receive benefits to meet ever accelerating dental and medical costs, to protect loved ones against financial hardship, to retire in comfort and dignity; and the people who obtain mortgages or find employment as a result of our skilled investment practices.

The figures carried in this annual report speak eloquently of the Company's spectacular growth and its sound financial expertise. But even more significantly, this outstanding performance underscores our ability to provide, at lower cost, a steadily growing number of competitive and innovative insurance-related products and services to assist these people.

Our dedication will be aggressively pursued in the future as we approach a new decade in history - the Eighties. This era will severely test our ability to respond with imagination and creativity to ever-changing personal insurance and pension needs.

The sound corporate foundation established by my three predecessors, Matthew Woll, Edmund P. Tobin and Rudolph Ellis, will be our basis for broadening the Company's response to ever-changing lifestyles and to the needs in the Employee Benefit field. We will continue to maintain close relationships with employers, union administrators and consultants.

As President, I view our responsibility as one of trust and responsiveness and we will spare no effort to fulfill these requirements.
...Its (The Union Labor Life Insurance Company) first and foremost task is to bring to the attention of the workers the power and influence they have at their own command. Its next task is to mass this great power by enlisting the workers as policyholders... thus insuring an economic, industrial and financial power combined to serve the future interest of the individual workers as well as the Trade Union Movement itself.

Through the past five decades of war and peace, with intermittent periods of depression, recession and inflation, The Union Labor Life Insurance Company has expanded its services and at the same time has held steadfast during the years to the principles expounded by its founders.

The Company's emphasis on soundness and safety has been increasingly recognized over the years, as seen by the ever expanding number of organizations and individuals placing their insurance with ULLICO.

From a fledgling insurer, which guaranteed group and individual life insurance benefits, ULLICO has grown since 1927 to become the leading carrier of Jointly Managed Negotiated Health and Welfare Trusts and the fastest growing underwriter of Jointly Managed Pension Funds.

Its consistent development of innovative protection plans in the field of Employee Benefits is a matter of record as ULLICO strives to fulfill its mission to respond to the insurance needs of American wage earners and their families.

ULLICO's pioneering efforts in the area of negotiated benefits include the following new forms of coverages developed over recent years: dental, vision, prescription drugs, in-hospital alcoholism care, higher major medical protection, second surgical opinions, direct payment to social workers, and a number of health care cost containment policies.

The development of low cost Supplemental Group Life Insurance is another example of the Company's genuine ambition to enable wage earners on a contributory basis to upgrade their existing group coverages. Liberal conversion privileges have been recently formulated to provide certain hospital, surgical and home health care benefits to dependent children who may be ineligible for coverage under the wage earner's group policy.

ULLICO's pre-eminence as the lowest over-all net cost Company among its major competitors is a lasting testament to its original founding goal to provide wage earners guaranteed financial protection at the lowest possible cost, consistent with safety. This is apparent in Union Labor Life's current operations ranging from competitive insurance proposals for prospective policyholders to the broad scope of essential services it provides to existing policyholders.

The expansion of coverages and services caused unprecedented demands for information in 1978. The challenge of storing and processing this information, and providing access to it, was met by another upgrading of the Company's computer resources. Continuing its innovative leadership, ULLICO was the first insurance company in New York City to install one of the latest model computers (the IBM 3031). This equipment has more than doubled the computing capacity of its predecessor and is capable of storing and processing much more information to better serve the ever increasing list of ULLICO policyholders. This was accomplished with no increase in cost to our insureds.

The increased computing capacity has already been put to use and it has provided new sophisticated analytical tools for management in the areas of return on investment analysis, financial control, and faster development of new programs and systems. These new capabilities are all aimed at controlling costs, while at the same time increasing services to policyholders.

Other advantages which accrue to ULLICO's group policyholders under the "tried and true" approach of insurance are the following policy provisions which have evolved after more than five decades of experience: Major Medical Pooling, Deficit Forgiveness, Guaranteed Extended Benefits, and Coordination of Benefits. The Company also has developed options to the standard premium payment method by creating a Minimum Premium Plan. The Rate Stabilization Reserve option provides Trustees with sound interest guarantees and long-term premium advantages.
The varied group insurance and pension products marketed by ULLICO are properly priced, competitive, safe and underwritten in a sophisticated manner. While these products met with good response from Trustees in 1978, there are still many marketing challenges ahead.

A major one is the question of self-funding or self-insurance. In 1978, the Company began to aggressively address itself to this situation when it realized that a move toward self-funding brought about the loss of several large group insurance accounts. A hard-hitting four-part series of articles in the Company's publication, the ULLICO Bulletin, focused on the problem. Later, these were compiled into a brochure which was offered to interested parties throughout the United States, by way of the Bulletin and advertisements in the trade press. Response from jointly-administered fund trustees, consultants, lawyers, bankers, and other insurance carriers has been most gratifying. While it is a problem for the insurance business in general, ULLICO is proud it took the lead in setting the record straight regarding the many misrepresentations made by proponents of self-funding.

The Company has scores of contracts with union funds, both in group insurance and pensions, but there is a need to develop better interrelationships between the products.

While the Company may have a contract with a union health and welfare fund for group insurance, it does not necessarily follow that it has one for pensions with that same union's pension fund.

Greater interrelationship between the two types of funds will be sought so that ULLICO can serve both the group life, accident and health, and pension needs of members of any union. Greater emphasis is being placed on this objective.

Another area of growth potential is upgrading the amount of life insurance coverage held by union members under group contracts. With growing inflation a major factor, the Company is stressing the opportunity for
employers and unions to increase life insurance protection for the working force. Recently, ULLICO has been successful in convincing a substantial number of Union Trust funds to step-up life insurance benefits, but overall limits are still quite low when compared with group life coverage given by many corporations and businesses to non-union employees.

Ever alert for new products to be offered in the Employee Benefits plan package, the Company has been, for several years, researching and developing additional coverages. As noted by Chairman Woll in his report, ULLICO is in the process of forming and/or acquiring a casualty company or companies which would underwrite such group coverages as automobile liability, prepaid legal, homeowners, errors and omissions, fiduciary liability, and bonding and surety.

As far as group auto coverage is concerned, the Company is drafting a contract to be ready when the Senate acts on making that coverage an eligible benefit for jointly managed plans. Senator Harrison Williams of New Jersey currently has bills S. 1849 and S. 1850 before the Senate for consideration. It is ironic that while auto liability insurance is the only mandated coverage in the United States, it has not yet been made an eligible benefit for negotiated trust funds.

These new coverages, plus new accident and health products, would be marketed by the same field force now selling ULLICO group coverages. Direct mass marketing of other insurance products, such as hospital indemnity and life insurance, is in the early planning stages.

As indicated in final figures for 1978, the Company’s pension fund deposits continue to set new records. Most of the contributions come under its Investment Management Contract which features sound guarantees of principal, liberal interest guarantees and the prospect of even higher “New Money” rates of return. These advantages coupled with ULLICO’s low administrative charges constitute one of the most competitive pension products available.
ullico and investments

“We intend to return the profits to the policyholders at the end of the year, so as to reduce the insurance to as near the cost price as will be consistent with safety and the requirements of the law.”
Although interest rates under this program are not guaranteed, Group Pension Contract holders are provided with an opportunity to channel portions of their pension fund monies into high yield mortgage investments which will be made in income producing properties with the objective of favorable returns and no sacrifice with respect to safety and soundness of investment. The new separate account is now available in all but one of the states in which ULLICO is licensed to operate.

In accepting monies from pension funds under the new account, ULLICO seeks to invest them in originating areas and assures that contractors engaged in construction of buildings to be mortgaged will employ only AFL-CIO building and construction trades craftsmen.

The end result is that pension dollars not only are available for the union members when they retire, but that these contributed dollars will be working for them during their productive years by helping to fund their livelihood.

In the 1977 Annual Report, the Company stated that it was exploring with the U.S. Department of Labor a clarification of potential questions of interpretation under ERISA concerning transactions between contributing employers and Separate Mortgage Account "J FOR JOBS". A ruling from the Department of Labor, published in the Federal Register in December of 1978, states that such transactions are exempted under Class Exemption 78-19, relieving Pension Fund trustees and contributing employers of any apprehensions in investing monies in the Separate Account.

The "J FOR JOBS" program is not only for building and construction trades, however, and aggressive steps are underway to interest other unions in the separate mortgage account, particularly those who get spill-over benefits while not actually involved in building or plant construction.

To maintain its position in the group underwriting field, the Company has a seasoned staff of field executives. ULLICO starts 1979 with real promise of having greater utilization of staff, giving it an opportunity to keep down costs of selling and servicing its products.

As for personal insurance planning for the individual union member and his family, the Company's Individual Marketing Department is ever expanding the number of Local Unions through whose acceptance the neighborhood general agent accomplishes an in-the-home life insurance service. Understanding that each member's situation and future family plans differ, this personal touch allows the professional insurance man to interchange ideas with the family and to recommend tailor-made solutions. Making this possible is a growing selection of life insurance policies, Individual Sick Pay, and brand new Flexible Premium Annuities whose annual premiums may vary from year to year depending on one's ability to pay. The latter can be used to fund a tax qualified Individual Retirement Annuity or as a (non-tax qualified) supplement to an existing retirement plan.

Bettering ULLICO's competitive position in the ordinary life marketplace has been a change in the ordinary dividend scale which will increase such payments about 30% over the previous scale. It is the Company's hope that the leadership of many more local unions will look to Labor's Own Insurance Company so that their members may have the advantages of the union-made personal insurance program.
“Our appeal for insurance business is not based on the desire to merely make a good showing on our books, but is based on a desire that our company should be of the utmost service to the labor movement and to the workers…”

One of the significant cost-cutting acts of 1978 occurred in the ordinary life area, through the introduction of a sophisticated on-line ordinary life insurance system. This system, established to provide more efficient and accurate services to policyholders and agents, has attracted the attention of insurance executives from the U.S. and abroad.

As a result of its introduction, staff members of ULLICO's Policyholder Service and Accounting Departments have full access to data files via communications terminals (CRT) and all transactions are processed directly to the computer on a real-time basis. This ability significantly reduces manual handling and filing of paper documents and virtually eliminates clerical backlogs.

The system in 1978 fulfilled all expectations and promises to be of ever growing value to the Company, its agents and, above all, in the service of its policyholders.

The monies flowing into the Company from its intensive marketing efforts resulted in an increase in investment activity and a continuing growth in invested assets. This performance was achieved in line with the Company's philosophy of providing life insurance and other insurance and pension benefits to the American wage earners at the lowest possible cost, consistent with safety.

Adhering to the guidelines laid down by ULLICO's founders over 50 years ago, the Company again had a record net investment yield on all holdings, maintaining its portfolio rate of return approximately one full percentage point ahead of the insurance industry average.

Yields from invested assets—interest and dividends earned—are exceedingly important in terms of maintaining required reserves and reducing the cost of insurance to policyholders since interest earnings have a bearing on dividends declared by the Company.

As income increased in 1978, there were more monies available for investment purposes and these were used to buy the most secure obligations possible in areas which would produce the best yield. The recipients of these monies mainly used them for such job-creating projects as new construction, expansion of facilities, and greater production of goods and services.

Believing that its monies should always be working for the benefit of policyholders, the Company, whenever it had funds not needed temporarily for daily operating expenses or for long-term investment purposes, made short-term investments during the year which earned close to a million dollars interest, or more than twice that of the previous year.

Investments by ULLICO cover a wide variety of industries with a broad geographic base.

Following industry patterns, the major portion of ULLICO's investment funds went into corporate bonds. However, the Company's practice of directing funds to the most attractive areas consistent with its needs brought a substantial increase in funds allocated to mortgages. This reflected the fact that for the first time in several years mortgage interest rates began to exceed bond interest rates and availability posed no problems.

This greater availability of mortgages made for an exciting and eventful year. It was the most successful for mortgage operations in ULLICO's history. Housing starts, the life blood of the construction industry and of mortgage activity, advanced sharply in 1978. ULLICO's participation in real estate first mortgage loans followed the same course.

Its involvement in financing single family homes was so strong that it allotted more than 50 per cent of its available funds to this area. This translates into closing more than 1,000 single family home loans in 23 states. Also financed were shopping centers, high-rise office buildings, apartment houses, industrial plants, warehouses,
ULLICO's 1978 financial yardsticks indicate how the Company continued its growth, at the same time stressing safety and soundness in its operations. All this was accomplished with one principle in mind — providing insurance services to the working person at the lowest possible cost. Highlights of the Company's operations follow:

**Finances**
- Assets rose 29% to a total of $522 million or more than 5 times the assets of $102 million held in 1971, our first $100 million year.
- Income from all sources rose to $405 million — 10.1% greater than income in 1977.
- Disbursements to policyholders and beneficiaries totalled $286 million, an increase of 3.5% over 1977.
- Total Surplus funds rose by $4.5 million to a new high of $19.7 million at year-end, an increase of 29.8% over 1977.

**Investments**
- Total new long-term investments amounted to $124.2 million, an increase of 35.7% over 1977.
- Net earnings from all investments rose to $34.1 million in 1978 as compared to $25.7 million in 1977, an increase of 32.6%. Each of these one-year net earnings was more than all those combined for the 41 years, 1927-1967.
- Earned a record high net rate of interest of 8.26% on the entire portfolio of investments — one of the highest in the industry and compares with the industry average of 7.3%.
- Earned 9.38% on a gross basis on new investments made in 1978.
- The value of bonds and stocks held rose to $342 million, up 22.7% from the close of 1977.

Sales and service buildings and department stores.

1979 should be a very productive year for commercial and industrial mortgage loans. Office and industrial space developers see a demand for 200 million square feet of new space for the next two years to accommodate the labor force growth.

Housing starts in 1979 are expected to decline about 15 per cent to 1,701, 000 units from the two million units produced in 1978. The reduced level of housing starts should again lead to price increases. The demand for single family homes is still strong and the reduction in the supply will cause existing prices to be driven up. The problem in the housing market today is not whether one can afford to buy, but rather whether one can afford to wait.

The basic philosophy behind ULLICO's long-term relationship with the Trade Union Movement has been expressed in the foregoing narrative. Detailed 1978 results of the Company's adherence to the guidelines of its founders follow in the Year in Review Section and the financial statistics section of this report.
Investments

- Book value of mortgages was $127 million, up 49.5% from the close of 1977.
- Mortgage loans closed, including those under the "I FOR JOBS" program, increased to $54 million from $15 million in 1977. Income from first mortgage loans amounted to $8.4 million, up 29% from the previous year.
- The Company closed 1,022 single family home mortgage loans in 23 states for a total amount of $36 million, by far the greatest in its history. ULLICO now holds mortgages of all types in 33 states, plus the District of Columbia and Puerto Rico.

- Overall mortgage commitments at the start of 1979 stood at $30 million, of which $23 million represented "I FOR JOBS" loan commitments.

Group Insurance

- Total Group Life and Health Insurance premium income was $295 million, an increase of 3.8% over 1977.
- Total Group Life Insurance in-force was $3.54 billion, against $3.40 billion in 1977.
- Group Accident and Health premium income increased by $10.9 million or 4.3% over 1977 to a record total of $266 million.
- Group Life and Health payments totalled $268 million. Of this, $249 million was paid in living benefits to insureds.

- Continued our position as lowest overall net cost company underwriting Group Accident and Health protection.
- Premium income from more recent lines - Dental, Vision and Prescription Drug benefits exceeded $24.7 million.

Pension

- Pension monies under management continued to rise, amounting to $311 million at the year-end. This represented a year-to-year gain of 36.3%.
- 1978 deposits for Separate Mortgage Account "I FOR JOBS" amounted to $6 million.
- New group pension deposits received during 1978 totaled $70.3 million as opposed to $51.7 million in 1977. This total did not include deposits in Separate Mortgage Account "I FOR JOBS".

- Interest guarantees continue at highest levels consistent with market conditions. At start of 1979 the rate was 9.25%.
- Net "New Money" interest rate for 1978 Group Annuity deposits is 8.94%.

Ordinary

- Premium income from Ordinary Insurance including life, disability, and annuities was 18% higher than 1977 reflecting the increasing success of our personal producing general agency system.

- Increased Ordinary Insurance dividend scale for 1979 by about 30%.

- Continued aggressive national recruiting efforts to build Ordinary volume.

Dividends

- Policyholder dividends amounted to $28.1 million, $9.8 million higher than 1977.
- Dividends to Ordinary policyholders were 24.1% of premiums.
- Dividends to Group Life and Health policyholders, based on claims experience, were 9.0% of premiums.

Administration

- Upgraded Data Processing equipment with the installation of the latest model computer which doubled its predecessor's storage and information processing capacities.

- Initiated aggressive information campaign to alert Trustees to the risks of self-insurance contrasted to the guarantees of insured benefit plans.

- Effected specific goals and timetables with respect to corporate restructuring efforts and management development programs.

- General insurance expenses amounted to 3.44% of total income compared to 3.80% in 1977, in face of increasing costs of supplies, equipment and labor. This net cost rate contrasted with the 9.2% for the industry as a whole.
### Balance Sheet

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<th>December 31, 1978</th>
<th>December 31, 1977</th>
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<tbody>
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<tr>
<td>Bonds</td>
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<td>Preferred stocks</td>
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<td>Common stocks</td>
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<td>Mortgage loans on real estate</td>
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<td>Cash</td>
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<td>Policy loans</td>
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<td>Premiums due and deferred</td>
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<td>Investment income due and accrued</td>
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<td>Federal income tax recoverable</td>
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<td>Other assets</td>
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<td>Separate account assets</td>
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<tr>
<td><strong>TOTAL ASSETS</strong></td>
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<td>$404,479,621</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Policy reserves:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annuities and life</td>
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<td>$256,620,102</td>
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<tr>
<td>Health</td>
<td>10,912,857</td>
<td>8,922,572</td>
</tr>
<tr>
<td>Policy proceeds and dividends on deposit</td>
<td>7,437,381</td>
<td>7,800,554</td>
</tr>
<tr>
<td>Policy and contract claims</td>
<td>94,810,663</td>
<td>88,235,290</td>
</tr>
<tr>
<td>Dividends payable to policyholders</td>
<td>17,425,962</td>
<td>8,872,867</td>
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<tr>
<td>Premium deposit and other escrow funds</td>
<td>3,716,573</td>
<td>3,386,377</td>
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<tr>
<td>Accrued expenses</td>
<td>1,642,346</td>
<td>1,544,630</td>
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<tr>
<td>Mandatory securities valuation reserve</td>
<td>3,000,000</td>
<td>2,272,000</td>
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<tr>
<td>Federal income and other accrued taxes</td>
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<td>2,779,556</td>
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<td>Other liabilities</td>
<td>1,070,918</td>
<td>754,292</td>
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<tr>
<td>Separate account liabilities</td>
<td>13,402,491</td>
<td>6,912,067</td>
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<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$501,252,913</td>
<td>388,100,307</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CAPITAL AND SURPLUS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital stock ($25 par value; shares issued and outstanding 53,240 in 1978 and 48,400 in 1977)</td>
<td>1,331,000</td>
<td>1,210,000</td>
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<tr>
<td>Contingency surplus reserves</td>
<td>8,008,000</td>
<td>5,962,000</td>
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<tr>
<td>Unassigned surplus</td>
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<td>9,207,314</td>
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<tr>
<td><strong>TOTAL LIABILITIES, CAPITAL AND SURPLUS</strong></td>
<td>$522,270,042</td>
<td>$404,479,621</td>
</tr>
</tbody>
</table>

See notes to financial statements.
1. Basis of Presentation and Summary of Significant Accounting Policies

The Union Labor Life Insurance Company (ULLICO) was founded in 1925 by officials of the American Federation of Labor to provide insurance protection to union members at the lowest possible cost. The ownership of ULLICO capital stock is confined primarily to labor organizations and their members. Under terms of ULLICO's by-laws, stockholders cannot sell or transfer their shares without first offering such shares to the Company for purchase at $25 per share. It has been the Company's practice to purchase all such shares and to resell them to labor organizations or to individuals affiliated with the labor movement at $25 per share. The Company's operating methods conform substantially to the operating practices of mutual life insurance companies. Accordingly, the accompanying financial statements have been prepared in conformity with generally accepted accounting principles and reporting practices of mutual life insurance companies, and on the basis of accounting practices prescribed or permitted by the Insurance Department of the State of Maryland. The significant accounting policies are as follows:

a. Investments are carried in accordance with methods prescribed by the National Association of Insurance Commissioners; bonds subject to amortization are stated at amortized cost; preferred stocks in "good standing" held at December 31, 1964 are stated at 1964 Annual Statement value; preferred stocks in "good standing" purchased after 1964 are stated at cost; other bonds and stocks are stated at market value.

b. Reserves for life insurance policies are maintained principally on the net level premium method and are based on mortality tables and interest assumptions permitted under Maryland State Insurance Law. Annuity reserves consist principally of liabilities for group pension funds. These funds are deposited in behalf of groups primarily to provide immediate and future retirement benefits to group members.

c.Premiums are recognized as income over the premium paying period of the policies whereas commissions and other costs of acquiring the policies are charged to operations as incurred.

d. Federal income taxes relating to the current year are charged to operations as incurred. Adjustments of prior year income tax liabilities are credited or charged to surplus.

e. A mandatory securities valuation reserve is reported as a liability.

f. Certain assets designated as "nonadmitted assets" are not included in the balance sheet.

2. Separate Account Business

The accompanying financial statements for 1978 and 1977 include the assets, liabilities and surplus of the Company's Mortgage and Equity Capital Separate Accounts. During 1978 the Company received $6,020,500 in Mortgage Separate Account deposits. In 1977 the Company received $5,575,000 in Separate Account deposits of which $5,000,000 was received for the Company's Mortgage Separate Account. None of the income or expenses related to these Separate Accounts is included in the accompanying Summary of Operations and Surplus.

3. Income Taxes

During 1978, Internal Revenue Service (IRS) proposed adjustments affecting the Company's income tax returns for the years 1972 through 1975 which, if accepted by the Company, would result in federal income tax refunds and related interest for all years prior to 1978 of $1,601,141. Such refunds and interest have been included in the accompanying financial statements.

During January 1979, the Company filed protests with the IRS for the years 1972 through 1975 objecting to certain of the IRS's proposed adjustments and maintaining that federal income tax refunds substantially greater than those proposed by the IRS are due the Company. As the Company's protest is at a preliminary stage, it was not possible to determine with certainty as of December 31, 1978 the amount of additional refunds, if any, which will be received. Accordingly, no amount has been included in the accompanying financial statements for these uncollected federal income tax refunds.

4. Stock Dividend

On April 11, 1978 the Board of Directors declared a 10% stock dividend payable on June 1, 1978 which resulted in the issuance of 4,840 shares of capital stock and the transfer of $121,000 from unassigned surplus to capital stock.

5. Pension Plan

The Company has a pension plan covering all of its eligible employees and follows a policy of funding pension cost as accrued. Pension expense for the years ended December 31, 1978 and 1977 was approximately $846,000 and $792,000, respectively.
To the Board of Directors,
Stockholders and Policyholders of
The Union Labor Life Insurance
Company

March 7, 1979

In our opinion, the accompanying balance sheet and the related summary of operations and surplus and statement of changes in financial position present fairly the financial position of The Union Labor Life Insurance Company at December 31, 1978 and 1977, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.
*Stanley Ballard  
Secretary-Treasurer Emeritus,  
American Federation of Musicians

Kenneth J. Brown  
President,  
Graphic Arts Int'l Union

*Edward J. Carlough  
President,  
Sheet Metal Workers  
Int'l Association

*H. C. Crotty  
President Emeritus,  
Brotherhood of Maintenance of Way Employees

Rudolph Ellis  
Senior Advisor,  
The Union Labor Life  
Insurance Company

Angelo Fosco  
President,  
Laborers Int'l Union of  
North America

*Patrick E. Gorman  
Chairman of the Board,  
Amalgamated Meat Cutters  
& Butcher Workmen of N.A.

Orville W. Jacobson  
President,  
Brotherhood Railway Carmen

Joseph D. Keenan  
Secretary Emeritus,  
Int'l Brotherhood of Electrical Workers

Edward J. Leonard  
President Emeritus,  
Operative Plasterers and Cement  
Masons Int'l Association

*John H. Lyons, Jr.  
President,  
Int'l Association of Bridge  
& Structural Iron Workers

*Arthur F. McGinness, Jr.  
Chemical Bank

James F. M. McNulty  
Attorney

*Dan V. Maroney, Jr.  
President,  
Amalgamated Transit Union

*Lee W. Minton  
President Emeritus,  
Glass Bottle Blowers Association

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President,  
Int'l Union of Bricklayers  
& Allied Craftsmen

*Lester H. Null, Sr.  
President,  
Int'l Brotherhood of Pottery  
& Allied Workers

*Daniel E. O'Sullivan  
President,  
The Union Labor Life  
Insurance Company

*William E. Panitz  
Vice President,  
Citibank, N.A.

S. Frank Raftery  
President,  
Int'l Brotherhood of Painters  
& Allied Trades

*William F. Schnitzler  
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AFL-CIO

*William Sidell  
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and Joiners of America

*Richard F. Walsh  
President Emeritus,  
Int'l Alliance of Theatrical  
Stage Employees & Moving Picture  
Machine Operators

*Martin J. Ward  
President,  
United Assn. of Journeymen  
& Apprentices of the Plumbing &  
Pipefitting Industry

*Hunter P. Wharton  
President Emeritus,  
Int'l Union of Operating Engineers

*J. Albert Woll  
General Counsel,  
AFL-CIO

Henry S. Woodbridge  
Corporate Director

William H. Wynn  
President,  
Retail Clerks Int'l Union

*Member of Executive Committee
group sales
and service offices

Atlanta, Georgia 30345
2305 Parklake Drive, N.E.

Boston, Massachusetts
220 Forbes Road,
Braintree, Ma. 02184

Chicago, Illinois
2625 Butterfield Road,
Oak Brook, Ill. 60521

Cincinnati, Ohio 45202
441 Vine Street

Cleveland, Ohio 44115
1422 Euclid Avenue

Dallas, Texas 75234
2775 Villa Creek Drive

Hartford, Connecticut
449 Silas Deane Highway,
Wethersfield, Ct. 06109

Houston, Texas 77023
6001 Gulf Freeway

Los Angeles, California 90057
2500 Wilshire Boulevard

Minneapolis, Minnesota 55402
105 South Fifth Street

Orlando, Florida 32803
988 Woodcock Road

Philadelphia, Pennsylvania
8600 West Chester Pike,
Upper Darby, Pa. 19082

Phoenix, Arizona 85013
100 West Clarendon Avenue

Pittsburgh, Pennsylvania 15219
429 Fourth Avenue

San Francisco, California 94102
870 Market Street

Seattle, Washington 98101
7th and Olive Way

St. Louis, Missouri
201 South Central Avenue,
Clayton, Missouri 63105

Syracuse, New York 13202
499 South Warren Street

Tulsa, Oklahoma 74135
4815 South Harvard

Union, New Jersey 07083
1961 Morris Avenue

Washington, D. C. 20005
815 Fifteenth Street, N.W.
INDIVIDUAL
Whole Life
Modified Whole Life
Limited Payment Life
Family Protection
Renewable and Convertible
Decreasing Term
Endowments
Insurance with Income
Retirement Annuity
Juvenile Insurance
Single Premium Life
Single Premium Annuity
Disability Waiver of Premium
Accidental Means Double Indemnity
Applicants Waiver of Premium
Benefit
Family Income Rider
Guaranteed Insurability
Disability Monthly Income
Salary Deduction Plans
Conversions from Group Insurance

GROUP
Life Insurance
Loss of Time
Long Term Disability
Hospital Expense
Surgical Expense
Medical Expense
Major Medical Expense
Laboratory and X-Ray Expense
Supplemental Accident Expense
Vision Care Expense
Dental Expense
Drug Prescription Expense
Accidental Death & Dismemberment

GROUP PENSIONS
Deposit Administration Annuities
I. P. G. Annuities
Investment Only Plans
Separate Account Investments including “I FOR JOBS”

*Dependent coverage available under all contracts, except Loss of Time, Accidental Death and Dismemberment, Long Term Disability and Annuities. Dependents Group Life Insurance available only in states where insurance laws permit.