

**STATE OF VERMONT  
DEPARTMENT OF BANKING, INSURANCE, SECURITIES  
AND HEALTH CARE ADMINISTRATION**

IN RE: UNION MUTUAL FIRE  
INSURANCE COMPANY

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DOCKET NO. 11-033-I

**ORDER**

On June 23, 2011, Union Mutual Fire Insurance Company (Union Mutual) requested that the Department of Banking, Insurance, Securities and Health Care Administration (the Department, or BISHCA) grant a permitted practice relating to the Statement of Statutory Accounting Principles (SSAP), Paragraph 9, No. 40 (“Real Estate Investments”). Based upon the information provided by Union Mutual, the recommendation of the Insurance Division of the Department, and pursuant to 8 V.S.A. §3561, the Commissioner of BISHCA (the Commissioner) makes the following findings and issues the following Order:

1. Union Mutual has requested “approval to carry property occupied by [Union Mutual] at the most recent appraised value of \$3,400,000 for the period of June 2011 to June 2012 with the option to renew,” instead of the depreciated cost of \$2,528,899. As assessed by BISHCA Insurance Division’s Director of Company Licensing and Examinations, the difference between the two values would increase Union Mutual’s reported capital/surplus by \$871,101.
2. Under 8 V.S.A. §3561, all licensed insurers must periodically prepare and report their financial condition using accounting practices and procedures described in the National Association of Insurance Commissioners (NAIC) Accounting Practices & Procedures Manual (AP&P), which includes the SSAP No. 40.
3. Paragraph 9 of the SSAP No. 40 states: “Properties occupied by the company and properties held for the production of income shall be carried at depreciated costs less encumbrances . . .”
4. Under 8 V.S.A. §3561, the Commissioner may permit the use of market value instead of the property valuation requirements of the SSAP. Section 3561 permits the Commissioner to allow “any useful or necessary modifications or adaptations thereof required or approved or accepted by the commissioner” to the periodic statements of financial condition.

Based upon the above findings, the Commissioner hereby grants a permitted accounting practice for Union Mutual to value its home office property at the most recent appraised value of \$3,400,000 for

the financial statements required to be filed with the Department and the NAIC for the period beginning on June 30, 2011 and ending on, and including, March 31, 2012 (“permitted period”).

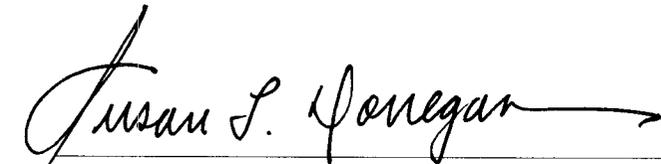
If Union Mutual wishes to renew this permitted practice at the expiration of the permitted period or consider any material changes during the permitted period, Union Mutual is required to petition the Department for approval.

SO ORDERED.

Entered at Montpelier, Vermont, this 21st day of July, 2011.

STEPHEN W. KIMBELL, Commissioner  
Department of Banking, Insurance, Securities and Health Care Administration

By:

  
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SUSAN L. DONEGAN, Acting Commissioner  
Deputy Commissioner of Insurance