Values from the Past
Visions for the Future

UNION MUTUAL OF VERMONT COMPANIES

2006 ANNUAL REPORT
2006 was an exceptional year for the Union Mutual of Vermont Companies. The relatively benign weather, combined with continued underwriting discipline and a stable premium base resulted in record earnings and growth in policyholder surplus. We close 2006 stronger than ever, with $76 million in policyholders’ surplus, $171 million in total assets and $100 million in written premiums. I am grateful to all the employees and our agency partners who contributed to our success in 2006.

Looking ahead, the industry is facing a multitude of issues that range from the potential impacts of global warming, to the availability of insurance in coastal areas and the resulting implications of reinsurance costs, and a soft market environment. We are not immune from the issues involving reauthorization of the Terrorism Reinsurance Act, the potential fallout from the Katrina court cases involving policy language surrounding wind and water, and the potential for new state or federal regulatory actions that could significantly affect the marketplace. All of these bring increased uncertainty to an already volatile industry and provide both challenges and opportunities.

Operationally, we remain challenged to continue to provide the best possible service to our policyholders and agency partners as we cope with new technologies and expectations in the marketplace. We take this challenge very seriously. Long before there were automobiles, telephones, faxes and emails, we were providing insurance and high quality service using the best methods of the times. Throughout our 132 year history, we have embraced and deployed the use of technology to gain efficiencies and improve our service. And while the ability to keep pace with technology is critical to our future success, we are also committed to maintaining that personal touch so important in today’s fast-paced environment.

With this in mind, during 2006 we created new Mission and Values Statements to guide us in our daily activities. While new, these Statements are not much different from what we have strived to do throughout our long history. They reflect our commitment as to how we will treat our policyholders, agents and business partners as we strive to provide quality products with service that continues to be “second to none”. That is our commitment and that is our mission.

Best regards,

Douglas J. Wacek
President & CEO

TO OUR POLICYHOLDERS AND AGENTS:

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President & CEO

Union Mutual of Vermont Companies

OUR MISSION

We will provide superior property and casualty insurance products with personal service “second to none” to policyholders and independent agency partners, while maintaining the highest level of integrity, courtesy and fairness, and recognizing that we cannot be all things to all people.

We will be forward-thinking and embrace innovative ideas and technology as we strive to be profitable and financially secure.

We will foster a positive work environment of continuous learning and development for employees, pursue long-lasting relationships with policyholders, agents and other business partners, and be a respected member of our community and industry.

OUR VALUES

We are committed to sound judgement and personal initiative within an environment that sets, achieves and rewards high performance.

We will pursue and develop long-term relationships with our employees, policyholders, agents and other business partners.

We will act with a high level of integrity and are committed to an atmosphere of respect, loyalty and mutual support.

We will maintain a friendly, courteous and professional environment where every member matters and which fosters a work-life balance.

We believe in a collaborative atmosphere that motivates employees and fosters personal and professional growth and development.

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Best regards,

Douglas J. Wacek
President & CEO
## Union Mutual of Vermont Companies

### Union Mutual Fire Insurance Company

**Assets**
- Bonds: $49,031,000
- Stocks: $39,378,000
- Cash & Equivalents: $2,525,000
- Other Assets: $31,045,000

**Liabilities**
- Unearned Premiums: $22,632,000
- Loss & LAE Reserves: $14,017,000
- Other Liabilities: $16,332,000
- Policyholders’ Surplus: $68,998,000

**Total Assets:** $121,979,000

### New England Guaranty Insurance Company, Inc.

**Assets**
- Bonds: $54,597,000
- Stocks: $7,997,000
- Cash & Equivalents: $1,354,000
- Other Assets: $17,068,000

**Liabilities**
- Unearned Premiums: $22,632,000
- Loss & LAE Reserves: $14,009,000
- Other Liabilities: $15,270,000
- Policyholders’ Surplus: $29,105,000

**Total Assets:** $81,016,000

### Eastern Mutual Insurance Company

**Assets**
- Bonds: $8,681,000
- Stocks: $1,362,000
- Cash & Equivalents: $1,356,000
- Other Assets: $2,409,000

**Liabilities**
- Unearned Premiums: $3,487,000
- Loss & LAE Reserves: $2,730,000
- Other Liabilities: $567,000
- Policyholders’ Surplus: $7,024,000

**Total Assets:** $13,808,000

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**COMBINED BALANCE SHEET**

**December 31, 2006**

**Assets**
- Bonds: $112,308,000
- Stocks: $19,632,000
- Cash & Equivalents: $5,235,000
- Other Assets: $33,333,000

**Liabilities**
- Unearned Premiums: $48,751,000
- Loss & LAE Reserves: $30,755,000
- Other Liabilities: $14,980,000
- Policyholders’ Surplus: $76,022,000

**Total Assets:** $170,508,000

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A.M. Best Rating of "A- (Excellent)" has been assigned to the Union Mutual of Vermont Companies.
PERSONAL LINES UNDERWRITING

The Union Mutual of Vermont Companies’ Personal Lines Department has more than 300 years of collective experience in the insurance marketplace. This vast experience and knowledge combined with our professionalism, friendliness and enthusiasm, provide the cornerstone of our long-term relationships with our independent agency partners.

Our underwriters are trained and encouraged to design innovative coverage solutions. As we interface with our agents, our Personal Lines underwriters use a state of the art Imaging System to help reinforce our motto of delivering “service that is second to none.” We also deploy other emerging technologies such as our new web-based quoting system (QuoteWrite) and new tools that provide information about a risks’ geographic location (geocoding) which is helpful as we manage our exposures.

However, as we use all these new technologies in the rapidly changing insurance marketplace, we also believe it is critically important to provide that “personal touch.” Each of our Personal Lines staff strives to service our agents with the objective of exceeding their expectations. This presents our greatest challenge and our greatest opportunity.