

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

Annual Report Pursuant to Section 15(d) of the
Securities Exchange Act of 1934

(Mark One)

Annual report pursuant to Section 15(d) of the Securities Exchange Act of
1934

For the fiscal year ended December 31, 1996

OR

Transition report pursuant to Section 15(d) of the Securities Exchange
Act of 1934

For the transition period from _____ to _____

Commission file number 1-8993

A. Full title of the plan and the address of the plan, if different from that
of the issuer named below:

VALLEY GROUP EMPLOYEES' 401(K) SAVINGS PLAN
c/o Valley Insurance Company
2450 14th Avenue S.E.
P.O. Box 1119
Albany, Oregon 97321
(541) 928-2344

B. Name of issuer of the securities held pursuant to the plan and the address
of its principal executive office:

FUND AMERICAN ENTERPRISES HOLDINGS, INC.
80 South Main Street
Hanover, New Hampshire 03755-2053
(603) 643-1567

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

Valley Group Employees'
401(K) Savings Plan

Date: June 26, 1997

By: /s/ Stuart E. Olson

Name: Stuart E. Olson
Title: Trustee

and: /s/ Kenneth R. Hisel

Name: Kenneth R. Hisel
Title: Trustee

and: /s/ Carey D. Benson

Name: Carey D. Benson
Title: Trustee

Explanatory Note

This Annual Report on Form 11-K is being filed so that it may be incorporated by reference into a Registration Statement on Form S-8 which Fund American Enterprises Holdings, Inc. is filing with respect to shares of Common Stock, \$1.00 par value per share, of Fund American Enterprises Holdings, Inc. issuable under the Plan.

INFORMATION FILED

The following financial statements and exhibit are filed with, and included in, this Report:

A. Financial statements for the Plan consisting of:

1. Report of Independent Auditors
2. Statements of Net Assets Available for Plan Benefits as of December 31, 1996 and 1995
3. Statements of Changes in Net Assets Available for Plan Benefits for the years ended December 31, 1996 and 1995
4. Notes to Financial Statements
5. Schedule of Assets held for Investment Purposes
6. Schedule of Reportable Transactions

B. Exhibit:

- 23(a) Consent of Coopers & Lybrand L.L.P.

VALLEY GROUP
EMPLOYEES' 401(k) SAVINGS PLAN

REPORT ON AUDITS OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES
for the years ended December 31, 1996 and 1995

Valley Group
Employees' 401(k) Savings Plan
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Report of Independent Accountants

Board of Directors
Valley Group Employees' 401(k) Savings Plan
Albany Oregon

We have audited the accompanying statements of net assets available for plan benefits of the Valley Group Employees' 401(k) Savings Plan as of December 31, 1996 and 1995, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Valley Group Employees' 401(k) Savings Plan as of December 31, 1996 and 1995, and the changes in net assets available for plan benefits for the years then ended in conformity with generally accepted accounting principles.

Our audit of the 1996 financial statements was performed for the purpose of forming an opinion on the basic 1996 financial statements taken as a whole. The supplemental schedules of assets held for investment purposes and reportable transactions as of and for the year ended December 31, 1996 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic 1996 financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic 1996 financial statements taken as a whole.

The supplemental schedules that accompany the Plan's financial statements do not disclose the historical cost of certain Plan assets. Disclosure of this information is required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Coopers & Lybrand L.L.P.

Portland, Oregon
June 4, 1997

Valley Group
 Employees' 401(k) Savings Plan
 Statements of Net Assets Available for Plan Benefits
 December 31, 1996 and 1995

	1996	1995
Investments:		
Funds on deposit with Employers Life Insurance Company of Wausau	\$4,857,680	\$2,114,486
Loans to participants	43,457	15,358
	-----	-----
Total investments	\$4,901,137	\$2,129,844
Receivables:		
Employer contributions	10,785	14,120
Employee contributions	26,253	35,065
	-----	-----
Net assets available for plan benefits	\$4,938,175	\$2,179,029
	=====	=====

The accompanying notes are an integral part of the financial statements.

Valley Group
 Employees' 401(k) Savings Plan
 Statements of Changes in Net Assets Available for Plan Benefits
 for the years ended December 31, 1996 and 1995

	1996	1995
Additions to net assets attributed to:		
Investment income	\$ 428,867	\$ 301,469
	-----	-----
Contributions:		
Employer contributions	696,301	131,442
Employee contributions	267,255	343,718
Employee rollovers	1,660,878	1,757
	-----	-----
	2,624,434	476,917
	-----	-----
Total additions	3,053,301	778,386
Deductions from net assets attributed to:		
Benefits paid	294,155	38,070
	-----	-----
Net increase in net assets available for plan benefits	2,759,146	740,316
Net assets available for plan benefits:		
Beginning of year	2,179,029	1,438,713
	-----	-----
End of year	\$4,938,175	\$2,179,029
	=====	=====

The accompanying notes are an integral part of the financial statements.

1. The Plan:

Description of Plan

The following brief description of the Valley Group Employees' 401(k) Savings Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information. Participants in the Plan include employees of Valley Pacific, Inc. and The Charter Group Inc. (the Companies).

The Plan was originally established on January 1, 1988 to provide retirement benefits for eligible employees of Valley Pacific, Inc. Effective December 1, 1995, the Plan was amended to include the employees of the Charter Group, Inc. and the Plan's name was changed to the Valley Group Employees' 401(k) Savings Plan.

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Companies contribute to the Plan the total amount of salary reduction an employee elects to defer. Employees may elect to defer from 1% to 15% of their monthly salary (limited to an annual maximum of \$9,500 and \$9,240 in 1996 and 1995, respectively). The Companies provide matching contributions equal to fifty (50) percent of an employee's elective contribution. In applying the matching percentage, only salary reductions up to six (6) percent of an employee's contributed compensation will be considered. The Companies may also choose to make an additional discretionary contribution to the Plan. The Companies contributions are allocated based on the amount of each employee's compensation in relation to total compensation for all participating employees.

The Plan is sponsored and administered by the Companies. The Companies have appointed certain company management as trustees who are responsible for management of the Plan's assets. Expenses related to administration of the Plan are paid by the Companies.

Eligibility and Participation

Employees of the Companies must complete ninety days of service and have attained the age of 21 to become eligible for participation in the Plan. An employee becomes a member of the Plan on the first day of the calendar quarter following completion of the eligibility requirements.

Rollover contributions represent vested account balances transferred by participants of the Plan. During 1996, employees of The Charter Group, Inc. (Charter) that participated in Skandia Direct Operations Employee 401(k) Plan and the Skandia Direct Operation Retirement Plan were given the option to rollover their account balances to the Plan or any other qualified retirement plan. In addition, Valley Pacific Inc. employees who participated in the Skandia Direct Operations Retirement Plan were also given the option to rollover their account balances to the Plan or any other qualified retirement plan. Rollovers from these retirement plans totaled \$1.1 million in 1996.

Vesting

Participants are always 100% vested in employee contributions and rollover contributions plus interest earned on these amounts.

The Plan provides for full (100%) vesting of the Companies contributions from the first day of participation if employed prior to December 1, 1995. If employed after December 1, 1995, participants become vested in Company contributions based on years of service as follows:

1. The Plan, Continued:

Vesting, Continued

Years of Service -----	Percentage -----
1	20 %
2	40
3	60
4	80
5	100

Forfeitures

Plan participants who terminate employment for reasons other than retirement, death, or disability will receive the vested portion of their account only. Amounts forfeited due to terminations of employment will be used to reduce the Companies' future contributions to the Plan.

Participant Loans

The Plan allows loans to participants up to a maximum amount of 50% of the participant's vested balance not to exceed \$50,000. Loan provisions provide for a term generally not to exceed five years, with interest rates and repayment schedules to be determined by the Plan administrator. The interest rates on participant loans outstanding at December 31, 1996 range from 10.25% to 11.25%.

Payment of Benefits

Each participant's accrued benefits, including allocations of Plan earnings, may be paid to the participant upon retirement, death, disability, resignation, discharge, or proven hardship. A participant may elect to receive either a lump-sum amount equal to their account balance or fixed percentage payments as described in the Plan document.

Asset Management

The trustees of the Plan have appointed Employers Life Insurance Company of Wausau (Wausau) as the recordkeeper and custodian of the Plan's assets.

1. The Plan, Continued

Plan Termination

Although it has not expressed any intent to do so, the Companies have the right, under the Plan, to suspend contributions, to discontinue contributions, or to terminate the Plan at any time. In the event of termination, the accounts of the members of the Plan are fully vested and nonforfeitable.

2. Summary of Significant Accounting Policies:

Basis of Presentation

The accompanying statements of net assets available for plan benefits and changes in net assets available for plan benefits have been prepared on an accrual basis of accounting in accordance with generally accepted accounting principles.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the changes in net assets available for plan benefits during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The plan provides for investment options in mutual funds and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participant's account balances and the amounts reported in the statement of net assets available for plan benefits and the statement of changes in net assets available for plan benefits.

Investments

The Plan provides for participant-directed investment programs with Employers Life Insurance Company of Wausau.

The Plan's investments are stated at fair value, except for its investment in the Group Annuity Contract, which is valued at contract value, which approximates fair value. Contract value represents contributions made under the contract, plus interest earned, less funds withdrawn and allocated for retired plan participants. Guaranteed interest rates were 6.4% and 6.6% in 1996 and 1995, respectively. If a contract is terminated before its maturity date, the proceeds may be reduced by a market value adjustment. The contract investments are high quality intermediate term corporate bonds and mortgages.

Pooled separate account balances recorded at fair value and increase and decrease with contributions, withdrawals, and realized and unrealized gains and losses from the assets in the accounts. The value of each separate account is determined at the close of each business day based on market values of the underlying assets. Gain or loss on investments in pooled separate accounts sold during the year is based on their inventory value (market value at the beginning of the period or cost if purchased prior to the beginning of the period).

Increase or decrease in the value of investments held in pooled separate accounts at year end is based on the difference between the market value of such investments at the end of the year and their inventory value.

Loans to participants are stated at cost less principal paydowns.

2. Summary of Significant accounting Policies, Continued:

The Plan presents the statements of changes in net assets available for plan benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses and unrealized appreciation (depreciation) on those investments.

Income Taxes

On June 12, 1995, the Internal Revenue Service approved qualification of the form of the Plan under the provisions of Section 401(k) and 401(a) of the Internal Revenue Code. The Plan has subsequently been amended. However, the Plan administrator believes that the Plan, as amended, is designed and being operated in compliance with the applicable requirements of the Internal Revenue Code to continue qualification of the Plan and its exemption from Federal income taxes.

Reclassifications

Certain reclassifications have been made in prior years to conform with the current year presentation.

Valley Group
 Employees' 401(k) Savings Plan
 Notes to Financial Statements, Continued

3. Investments:

Investments, at fair value, that represent five percent or more of the Plan's net assets at December 31, 1996 and 1995 are separately identified as follows:

	1996	1995
Employers Life Insurance Company of Wausau:		
Group Annuity Contract - #01054	\$1,292,953	\$ 749,089
Neuberger & Berman Guardian Fund	854,767	364,798
Fidelity Magellan Fund	821,122	327,816
Fidelity Puritan Fund	571,523	352,037
Oppenheimer Global Fund	526,235	125,505
Twentieth Century Ultra Investors Fund	727,117	195,241

4. Allocation of Net Assets:

The Plan provides for funds to be invested in separate investment programs. Following are the changes in net assets available during 1996 and 1995 as allocated to the separate investment programs:

1996	Pooled Separate Accounts						Dreyfus A Bonds Plus Fund
	Group Annuity Contract	Neuberger & Berman Guardian Fund	Fidelity Magellan Fund	Fidelity Puritan Fund	Oppenheimer Global Fund	20th Century Ultra Investors Fund	
Additions to net assets attributed to:							
Employer contributions	\$ 52,495	\$ 47,083	\$ 59,556	\$ 29,097	\$ 25,241	\$ 55,459	\$ 1,595
Employee contributions	126,824	128,604	153,151	80,425	64,452	147,555	4,154
Employee rollovers	424,611	295,218	347,510	237,247	117,270	200,768	13,866
Investment Income	67,433	110,406	67,657	65,644	49,749	61,640	2,910
	671,363	581,311	627,874	412,413	256,712	465,422	22,525
Deductions from net assets attributed to:							
Benefit payments	(71,409)	(79,965)	(36,973)	(62,831)	(12,895)	(24,780)	
Net increase (decrease) in assets available for plan benefits	599,954	501,346	590,901	349,582	243,817	440,642	22,525
Net assets transferred by participant directive	(56,090)	(11,377)	(97,595)	(130,096)	156,913	91,234	41,438
Net assets available for plan benefits:							
Beginning of year	749,089	364,798	327,816	352,037	125,505	195,241	
End of year	\$1,292,953	\$854,767	\$821,122	\$571,523	\$526,235	\$727,117	\$63,963

	Loans to Participants	Contributions Receivable	Total
Additions to net assets attributed to:			
Employer contributions		\$ (3,271)	\$ 267,255
Employee contributions		(8,864)	696,301
Employee rollovers	\$ 24,388		1,660,878
Investment Income	3,428		428,867
	27,816	(12,135)	3,053,301
Deductions from net assets attributed to:			
Benefit payments	(5,302)		(294,155)

Net increase (decrease) in assets available for plan benefits	22,514	(12,135)	2,759,146
Net assets transferred by participant directive	5,585	(12)	
Net assets available for plan benefits:			
Beginning of year	15,358	49,185	2,179,029
End of year	\$ 43,457	\$ 37,038	\$4,938,175

Pooled Separate Accounts

1995	Group Annuity Contract	Neuberger & Berman Guardian Fund	Fidelity Magellan Fund	Fidelity Puritan Fund	Oppenheimer Global Fund	20th Century Ultra Investors Fund
Additions to net assets:						
Employer contributions	\$ 40,452	\$ 18,278	\$ 21,363	\$ 15,323	\$ 10,615	\$ 15,509
Employee contributions	101,294	49,306	57,503	42,606	27,157	39,879
Employee rollovers	527	439	439	352		
Investment income	46,787	70,238	67,735	52,298	15,859	47,797
	189,060	138,261	147,040	110,579	53,631	103,185
Deductions from net assets attributed to:						
Benefit payments	(14,289)	(3,486)	(7,769)	(6,222)	(3,191)	(3,113)
Net increase in assets available for plan benefits	174,771	134,775	139,271	104,357	50,440	100,072
Net assets transferred by participant directive	(844,892)	230,023	188,545	247,680	75,065	95,169
Net assets available for plan benefits:						
Beginning of year	1,419,210					
End of year	\$749,089	\$364,798	\$327,816	\$352,037	\$125,505	\$195,241

	Loans to Participants	Contributions Receivable	Total
Additions to net assets attributed to:			
Employer contributions	\$	\$ 9,902	\$ 131,442
Employee contributions		25,973	343,718
Employee rollovers			1,757
Investment Income	755		301,469
	755	35,875	778,386
Deductions from net assets attributed to:			
Benefit payments			(38,070)
Net increase in assets available for plan benefits	755	35,875	740,316
Net assets transferred by participant directive	8,410		
Net assets available for plan benefits:			
Beginning of year	6,193	13,310	1,438,713
End of year	\$15,358	\$49,185	\$2,179,029

5. Reconciliation of Financial Statements to Form 5500:

Total contributions:	
Balance per financial statements	\$ 2,624,434
1995 contributions receivable	49,185
1996 contributions receivable	(37,038)
Classification difference	(64)

Balance per Form 5500	\$ 2,636,517
	=====
Total investment income:	
Balance per financial statements	\$ 428,867
Classification difference	64

Balance per Form 5500	\$ 428,931
	=====
Net assets available for plan benefits at beginning of year:	
Balance per financial statements	\$ 2,179,029
1995 contributions receivable	(49,185)

Balance per Form 5500	\$ 2,129,844
	=====
Net assets available for plan benefits at end of year:	
Balance per financial statements	\$ 4,938,175
1996 contributions receivable	(37,038)

Balance per Form 5500	\$ 4,901,137
	=====

6. Subsequent Event:

Effective January 1, 1997, the Plan was amended to increase the investment options available to Plan participants. The Janus Fund, Warburg Pincus Emerging Growth Fund, Janus Worldwide Fund, Fidelity Advisor High Yield Fund and Dreyfus S&P 500 Index Fund were added to the list of participant-directed Investment options available to Plan participants. The amendment also removed the Dreyfus A Bond Plus Fund, Fidelity Magellan Fund, and Oppenheimer Global Fund from the list of participant-directed investment options available to Plan participants. In addition, employees of Fund American Enterprises Holdings Inc., White Mountains Insurance Company, White Mountains Holdings Inc., and the Upper Valley Company, were allowed to participate in the Plan. Effective July 1, 1997 and upon appropriate filing with and acceptance by the Securities and Exchange Commission, the stock of Fund American Enterprises Holdings, Inc. will be added to the list of participant directed investment options.

Valley Group
 Employees' 401(k) Savings Plan
 Line 27a - Supplemental Data Required by the Department of Labor
 Schedule of Assets Held for Investment Purposes
 December 31, 1996

(b) Identity of Issue, Borrower -----	(c) Description of Investment -----	(d) Cost -----	(e) Current Value -----
Employers Life Insurance Company of Wausau:			
	Group Annuity Contract - 6.4% #01054	\$1,292,953	\$1,292,953
	Neuberger & Berman Guardian Fund - pooled separate account	(1)	854,767
	Fidelity Puritan Fund - pooled separate account	(1)	571,523
	Fidelity Magellan Fund - pooled separate account	(1)	821,122
	Twentieth Century Ultra Investors fund - pooled separate account	(1)	727,117
	Oppenheimer Global Fund - pooled separate account	(1)	526,235
	Dreyfus A Bond Plus Fund - pooled separate account	(1)	63,963
		-----	-----
		\$1,292,953	\$4,857,680
Participant loans	Interest rate, 10.25% to 11.25%	=====	=====
		\$ -	43,457
		=====	=====

(1) Cost not available.

Valley Group
 Employees' 401(k) Savings Plan
 Supplemental Data Required by the Department of Labor
 Item 27d-Schedule of Reportable Transactions
 for the year ended December 31, 1996
 (Unaudited)

The following represents any transaction or series of transactions during 1996 which included an amount in excess of five percent of the current value of Plan assets as of December 31, 1995.

(a) Identity of Party Involved -----	(b) Description of Asset -----	(c) Purchase Price -----	(d) Selling Price -----	(g) Cost of Asset -----	(h) Current Value of Asset on Transaction Date -----	Number of Transactions -----
Nationwide Life Insurance Company	Pooled separate account - Neuberger & Berman Guardian Fund	\$ 468,355		\$ 468,355	\$ 468,355	(1)
Employers Life Insurance Company of Wausau:	Group Annuity Contract - 6.4% #01054	602,380		602,380	602,380	(1)
	Pooled separate account - Fidelity Puritan Fund		\$ 126,128	(2)	126,128	(1)
	Pooled separate account - Fidelity Puritan Fund	344,428		344,428	344,428	(1)
	Pooled separate account - Twentieth Century Ultra Investors Fund	402,779		402,779	402,799	(1)
	Pooled separate account - Fidelity Magellan Fund	551,466		551,466	551,466	(1)
	Pooled separate account - Oppenheimer Global Fund	160,794		160,794	160,794	(1)
	Pooled separate account - Oppenheimer Global Fund	206,161		206,161	206,161	(1)

(1) Number of transactions not available.
 (2) Cost is not available.

EXHIBIT INDEX

Exhibit Number -----	Description -----
23(A)	Consent of Independent Accountants, Coopers & Lybrand

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this Annual Report on Form 11-K of our reports dated June 4, 1997, on our audits of the financial statements of the Valley Group Employees' 401(k) Savings Plan as of December 31, 1996 and 1995 and for the years then ended.

Coopers & Lybrand L.L.P.

Portland, Oregon
June 27, 1997