REPORT ON EXAMINATION

OF

FIDELITY FIRE AND CASUALTY COMPANY

LAKE MARY, FLORIDA

AS OF

DECEMBER 31, 2008

BY THE

OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

November 13, 2009

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2008, of the financial condition and corporate affairs of:

FIDELITY FIRE AND CASUALTY COMPANY
7131 BUSINESS PARK LANE, SUITE 300
LAKE MARY, FLORIDA 32746

Hereinafter referred to as, the “Company”. Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2008, through December 31, 2008. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2007. This examination commenced with planning at the Office on July 20, 2009 to July 24, 2009. The fieldwork commenced on August 10, 2009, and concluded as of November 13, 2009.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The Financial Condition Examiners Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

Risk-focused examinations consist of a seven-phase process that can be used to identify and assess risk, assess the adequacy and effectiveness of strategies/controls used to mitigate risk and assist in determining the extent and nature of procedures and testing to be utilized in order to complete the review of that activity. The process should generally include a determination of the quality and reliability of the corporate governance structure and risk management programs. In addition, it can be used for verification of specific portions of the financial statements or other limited-scope reviews, increased focus on, and can result in increased substantive testing of, accounts identified as being at high risk of misstatement. Conversely, the risk assessment process should result in decreased focus on, and fewer substantive tests on the accounts identified as being at low risk of misstatement. The risk-focused surveillance process can be used to assist examiners in targeting areas of high-risk.

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2008. Transactions subsequent to year-end 2008 were reviewed where relevant and deemed significant to the Company's financial condition.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination.

This report of examination was confined to financial statements and comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

Status of Adverse Findings from Prior Examination

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2007, along with resulting action taken by the Company.

Consent Order

As of December 31, 2007, the Company was not in compliance with Consent Order No. 81765-05-CO dated March 26, 2005. Paragraph 18e required that the affiliated MGA hold the funds collected on behalf of the Company in a fiduciary capacity in a trust account. The trust account was also required by Section 626.7451(3), Florida Statutes. Paragraph 18j required that the affiliated MGA provide a written notice to insured individuals advising them of the identity of, and relationship among, the affiliate, the policyholder, and the insurer. **Resolution:** The Company entered into an Assignment, Assumption and Consent Agreement effective December 10, 2008 by and among Fidelity Insurance Managers, Inc. (MGA) and the Company and Bank of America. Under this agreement, the MGA assigned the bank account to the Company.

Certificate of Authority

The Company had not written Allied Lines nor removed the line of business from the Certificate of Authority as of December 31, 2007, and was not in compliance with Section 624.430(1), Florida Statutes. **Resolution:** The Company formally requested that the Allied Lines line of business be removed from the Certificate of Authority on August 12, 2009.

Audit Committee Member

The Company's treasurer was an audit committee member, which was not in compliance with Section 624.424(8)(c), Florida Statutes. **Resolution:** The Company treasurer resigned as a member of the Audit Committee on January 1, 2009, and subsequently the Board of Directors approved the resignation.

HISTORY

General

The Company was incorporated in Florida on April 9, 2004, and commenced business on May 26, 2005, as Fidelity Fire & Casualty Company. The Company was a member of a holding company system with the ultimate parent being Fidelity Insurance Holdings, Inc.

The Company was party to Consent Order No. 81765-05-CO filed March 26, 2005, regarding the application for the issuance of a Certificate of Authority. At December 31, 2008, the Company was in compliance with the provisions of this Consent Order.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2008:

Fire	Allied Lines	Homeowners Multi peril

The Company had not written insurance coverage in the previous two years in the lines of business of Allied Lines. The Company was not in compliance with Section 624.430 (1), Florida Statutes which requires that any insurer that does not write any premiums in a kind of line of insurance within a calendar year shall have that kind of line of insurance removed from its Certificate of Authority.

Subsequent Event: The Company formally requested that the Allied Lines line of business be removed from the Certificate of Authority on August 12, 2009.

The Articles of Incorporation and the Bylaws were not amended during the period covered by this examination.

Capital Stock

As of December 31, 2008, the Company's capitalization was as follows:

Number of authorized common capital shares	100,000
Number of shares issued and outstanding	100,000
Total common capital stock	$4,000,000
Par value per share	$40.00

Control of the Company was maintained by its parent, Fidelity Insurance Holdings, Inc., who owned 100% of the stock issued by the Company, which in turn was owned by various shareholders including Lanier Porter (15.70%), Willis T. King, Jr. (18.84%), Harold Humphrey (0.68%), Dwayne Williams (5.04%), Leman Porter (25.68%), and all other investors (34.06%).

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of operations, as reported in the filed annual statements.

	2008	2007	2006
Premiums Earned	$7,137,389	$2,891,719	
Net Underwriting Gain/(Loss)	$470,960	$180,580	$(19,422)
Net Income	$640,419	$156,992	$63,752
Total Assets	$20,619,457	$17,377,235	$5,903,045
Total Liabilities	$9,171,283	$6,657,825	$5,000
Surplus As Regards Policyholders	$11,448,174	$10,719,410	$5,898,045

Dividends to Stockholders

The Company did not pay or declare dividends during the period covered by this examination.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2008, were:

Directors

Name and Location	Principal Occupation
Lanier Miles Porter Longwood, Florida	Chief Executive Officer of the Company
Leman Miles Porter Longwood, Florida	President of the Company

Dwayne Richard Williams Winter Springs, Florida	Treasurer of the Company
Harold Mack Humphrey Palmetto, Florida	VP Marketing Frontline Homeowners Ins d/b/a Frontline Insurance Managers, Inc.
Willis Thomas King Lake Mary, Florida	Chairman of the Board of Directors of the Company

The Board of Directors in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	**Title**
Lanier Miles Porter	Chief Executive Officer
Leman Miles Porter	President
Benjamin Andrew Treuil	Chief Financial Officer
Dwayne Richard Williams	Treasurer

The Company's board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following were the principal internal board committees and their members as of December 31, 2008:

Audit Committee	**Investment Committee**
Emily King*	Willis T. King, Jr.*
Mitch Rabin	Leman Porter
James Accursio	Benjamin Treuil
Harold Humphrey	Dwayne R. Williams
Dwayne R. Williams	

*Chairperson

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Subsequent event: On January 1, 2009, Dwayne R. Williams resigned from the Audit Committee.

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 690-138.001, Florida Administrative Code.

Corporate Records

The recorded minutes of the shareholder, Board of Directors, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board and Investment Committee did not adequately document its meetings and approval of Company transactions and events (e.g. the Company Board of Directors did not discuss the plan to move into a new office business, the need to hire a Chief Investment Manager, entering the Mobile Home market, or converting to a new financial/accounting software program, etc.) in accordance with Section 607.1601, Florida Statutes.

The recorded minutes of the Board and Investment Committee did not adequately document the authorization of investments and review of the investment policy as required by Section 625.304, Florida Statutes.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales through Reinsurance

There were no acquisitions, mergers, disposals, dissolutions, and purchases or sales through reinsurance.

Surplus Debentures

The Company had no surplus debentures.

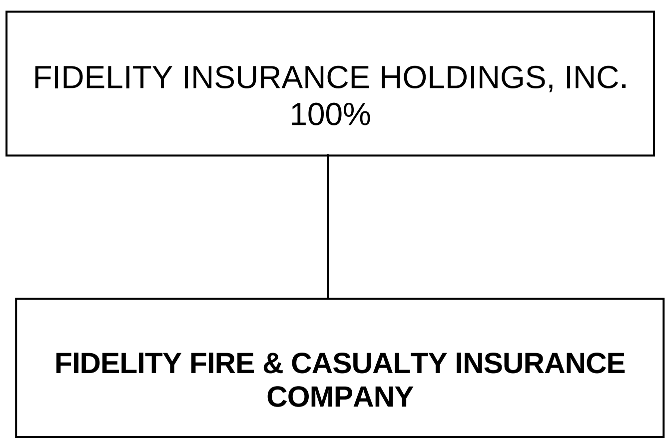
AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on June 8, 2009, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

An organizational chart as of December 31, 2008, reflecting the holding company system, is shown below. Schedule Y of the Company's 2008 annual statement provided a list of all related companies within the holding company group.

FIDELITY FIRE AND CASUALTY INSURANCE COMPANY
ORGANIZATIONAL CHART

DECEMBER 31, 2008



The following agreements were in effect between the Company and its affiliates:

Tax Allocation Agreement

The Company, along with its parent, filed a consolidated federal income tax return. On December 31, 2008, the method of allocation between the Company and its parent was based upon calculations on a separate company basis.

Intermediary Agreement

The Company entered into a Reinsurance Intermediary Broker Services Agreement on June 1, 2007, with an affiliate, Frontline Insurance Manager, Inc. (Frontline) under which Frontline provided reinsurance brokering services. The Company did not submit the agreement to the Office for approval prior to the execution date. This is in violation of Rule 69O-143.047(4)(c)(d)(e), Florida Administrative Code.

Subsequent Event: As a part of the 2008 Annual Review, the Office requested a copy of this agreement. On May 18, 2009, the Company did supply the Reinsurance Intermediary Broker Services Agreement.

Management Agreement

The Company entered into a Management Agreement on March 1, 2007, with its parent, Fidelity Insurance Holdings, Inc., under which the Parent was to provide financial, investment, benefit, reinsurance, and other management services. The parent received five percent (5%) of net earned premium for the services provided.

Managing General Agent Agreement

The Company entered into a Managing General Agent (MGA) agreement with an affiliate, Fidelity Insurance Managers, Inc. to provide underwriting, marketing and related claim services. Effective February 19, 2008, the agreement was amended to include the following provisions: (1) MGA to receive 10 percent of net earned premium for underwriting services, marketing and related administrative services; (2) 10.5 percent of net written premium as commission on new and renewal business production; and (3) a $25 MGA processing fee per policy. In addition, the MGA was to receive 15.5 percent of gross incurred losses, or 1 percent for a catastrophe loss, for claim services provided, along with 40% of recoveries from subrogation claims brought by the Company. All legal fees and costs including fees for consultants and experts were the responsibility of the Company. The amended agreement was submitted to and approved by the Office prior to execution.

The Consent Order No. 81765-05-CO required that the MGA provide a written notice approved by the insurer to insured individuals advising them of the identity of, and relationship among, the affiliate, the policyholder, and the insurer. During 2008, the Company implemented branding as “Frontline” with forms and documents approved by the Office which further clarified the relationships.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to $450,000 with a deductible of $10,000, which reached the suggested minimum recommended by the NAIC.

The Company also maintained Insurance Company Professional Liability coverage with a limit of $1,000,000 and retention each claim of $150,000 as well as Directors, Officers and Private Company Liability Insurance coverage with an aggregate limit of $1,000,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no pension, stock ownership or insurance plans as of December 31, 2008.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes:

STATE	Description	Par Value	Market Value
FL	Cash	$250,000	$250,000
TOTAL FLORIDA DEPOSITS		$250,000	$250,000
SC	Cash	$125,000	$125,000
TOTAL OTHER DEPOSITS		$125,000	$125,000
TOTAL SPECIAL DEPOSITS		$375,000	$375,000

INSURANCE PRODUCTS

Territory

The Company was authorized to transact insurance in the States of Florida and South Carolina.

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

Assumed

The Company did not assume reinsurance during 2008.

Ceded

The Company ceded risk on a quota share and excess of loss basis to various authorized and unauthorized reinsurers as listed on Schedule F, Part 3 of the 2008 Annual Statement including various Syndicates of Lloyd's, Scor and Montpellier Re. The Company participated in the Florida Hurricane Catastrophe Fund.

The reinsurance contracts were reviewed by the Company's appointed actuary and utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Lake Mary, Florida, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2006, 2007 and 2008, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company had a custodial agreement with Bank of America that was in compliance with the requirements of Rule 690-143.042, Florida Administrative Code.

Independent Auditor Agreement

The Company had an agreement with Thomas, Howell, Ferguson, PA to perform an audit of its statutory financial statements as of December 31, 2008.

Information Technology Report

Deanna Leyden, CFE, CISA, CICA Examination Resources, LLC, performed an evaluation of the information technology and computer systems of the Company. Results of the evaluation were noted in the Information Technology Report provided to the Company.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2008, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

FIDELITY FIRE AND CASUALTY COMPANY
Assets

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Stocks:			
Common	$ -	$ 11,180,605	$ 11,180,605
Cash	5,916,090		5,916,090
Short-term investments	11,180,605	(11,180,605)	-
Investment income due & accrued	27,920		27,920
Premiums and considerations:			
Uncollected premium	711,731		711,731
Deferred premium	2,416,896		2,416,896
Reinsurance recoverable:			
Other amounts receivable		3,546,372	3,546,372
Net deferred tax asset	366,215		366,215
Totals	$ 20,619,457	$ 3,546,372	$ 24,165,829

FIDELITY FIRE AND CASUALTY COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2008

	Per Company	Examination Adjustments	Per Examination
Losses	$1,199,919		$1,199,919
Loss adjustment expenses	170,950		170,950
Commissions payable, contingent commissions and other similar charges	(3,546,372)	3,546,372	0
Other expenses	24,258		24,258
Taxes, licenses and fees	257,145		257,145
Current federal and foreign income taxes	407,062		407,062
Unearned premiums	5,055,745		5,055,745
Advance premium	616,367		616,367
Ceded reinsurance premium payable (net)	4,004,832		4,004,832
Payable to parent, subsidiaries and affiliates	899,669		899,669
Aggregate write-ins for liabilities	81,709		81,709
Total Liabilities	$9,171,283	$3,546,372	$12,717,656
Common capital stock	$4,000,000		4,000,000
Gross paid in and contributed surplus	7,400,000		7,400,000
Unassigned funds (surplus)	48,174		48,174
Surplus as regards policyholders	$11,448,174		$11,448,174
Total liabilities, surplus and other funds	$20,619,457	$3,546,372	$24,165,829

FIDELITY FIRE AND CASUALTY COMPANY
Statement of Income

DECEMBER 31, 2008

Underwriting Income	
Premiums earned	$ 7,137,389.00
Deductions:	
Losses incurred	3,468,194
Loss adjustment expenses incurred	492,620
Other underwriting expenses incurred	2,705,615
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	$6,666,429
Net underwriting gain or (loss)	$470,960
Investment Income	
Net investment income earned	557,161
Net realized capital gains or (losses)	$0
Net investment gain or (loss)	$557,161
Other Income	
Net gain or (loss) from agents' or premium balances charged off	($10,858)
Finance and service charges not included in premiums	30,218
Aggregate write-ins for miscellaneous income	0
Total other income	$19,360
Net income before dividends to policyholders and before federal & foreign income taxes	$1,047,481
Dividends to policyholders	0
Net income, after dividends to policyholders, but before federal & foreign income taxes	$1,047,481
Federal & foreign income taxes	407,062
Net Income	$640,419
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$10,719,410
	0
Net Income	$640,419
Net unrealized capital gains or losses	0
Change in net deferred income tax	92,252
Change in non-admitted assets	(3,907)
Change in provision for reinsurance	
Change in excess statutory over statement reserves	0
Surplus adjustments: Paid in	0
Aggregate write-ins for gains and losses in surplus	0
Examination Adjustment	0
Change in surplus as regards policyholders for the year	$728,764
Surplus as regards policyholders, December 31 current year	$11,448,174

COMMENTS ON FINANCIAL STATEMENTS

Assets

Stocks $11,180,605

Common stock was increased to $11,180,605, which represented a reclassification of money market funds determined not to be Class 1 Funds according to Section 9, List of Money Market Funds Filed with the SVO (Class 1 Funds), of the *Purpose and Procedures Manual of the NAIC Securities Valuation Office.* According to the Manual, Part Four, Section 8(e), "Mutual funds including money market funds, are typically classified as common stock and reported on Schedule D – Part 2 – Section 2 of the NAIC Financial Statement blank… and money market funds that meet conditions of 17 C.F.R. 270.2a-7… and which also meet the conditions set forth in Part Eleven of this Manual, may be reported on Schedule DA – Part 1… of the NAIC Financial Statement blank." The Company was not in compliance with SSAP No. 2(10)(11) which states that short-term investments include money market instruments and "… investments in money market funds shall be reported in accordance with the guidance in the NAIC *Purposes and Procedures Manual of the Securities Valuation Office*." **We recommend that the Company comply with SAPP No. 2(10)(11) and the NAIC Purposes and Procedures Manual of the Securities Valuation Office.**

Cash and Short-term Investments $5,916,090

Cash and short-term investments reported as $17,096,695 was decreased to $5,916,090, which represented a reclassification of money market funds determined not to be Class 1 Funds according to Section 9 of the *Purpose and Procedures Manual of the NAIC Securities Valuation Office.*

Subsequent event: On November 13, 2009, the Company transferred its money market fund to an NAIC Class 1 Fund in accordance with SAPP No. 2(10)(11).

Other Amounts Receivable under Reinsurance Contracts $3,546,372

Other amounts receivable under reinsurance contracts was increased to $3,546,372, which represented a reclassification of the debit balance in commissions payable, contingent commissions and other similar charges consisting of a profit commission due the Company from a Reinsurer.

Liabilities

Losses and Loss Adjustment Expenses $1,370,869

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2008, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

Taylor-Walker & Associates, Inc. (Taylor-Walker) was retained by the Office to conduct a review of the Company's loss and loss adjustment expense reserves as of December 31, 2008, in conjunction with the financial examination. Taylor-Walker found the Company's 2008 Annual Statement loss and loss adjustment expense reserves at December 31, 2008 to be reasonably stated.

Commissions Payable, Contingent Commissions and Other Similar Charges $0

The amount reported by the Company of ($3,546,372) was decreased by $3,546,372 to reclassify the debit balance in the liability account to an asset. In accordance with SSAP No. 62(18), “Certain assets and liabilities are created by entities when they engage in reinsurance contracts.” Therefore, the Company should reclassify the debit balance representing Profit Commissions due under a reinsurance contract in the liability account to an asset, Other Amounts Receivable under Reinsurance Contracts and correctly report account balances on all future annual and quarterly statement filings as required in Section 624.424, Florida Statutes. **We recommend that the Company comply with SAPP No. 62 (18) and correctly report account balances on all future annual and quarterly filings as required in Section 624.424, Florida Statutes.**

Capital and Surplus

The amount reported by the Company of $11,448,174, exceeded the minimum of $4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

FIDELITY FIRE AND CASUALTY COMPANY
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS

DECEMBER 31, 2008

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders December 31, 2008, per Annual Statement							$11,448,174
		PER COMPANY		PER EXAM		INCREASE (DECREASE) IN SURPLUS	
ASSETS:							
Common stock	$	-	$	11,180,605		$11,180,605	
Cash	$	17,096,695	$	(11,180,605)	$	(11,180,605)	
Reinsurance other amounts receivable	$	-	$	3,546,372	$	3,546,372	
LIABILITIES:							
Commissions payable	$	-	$	(3,546,372)	$	(3,546,372)	
Net Change in Surplus:							0
Surplus as Regards Policyholders December 31, 2008, Per Examination							$11,448,174

SUMMARY OF FINDINGS

Compliance with previous directives

The Company took the necessary actions to comply with the comments made in the 2007 examination report issued by the Office.

Current examination comments and corrective action

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2008.

Corporate Records

The recorded minutes of the Board and Investment Committee did not adequately document its meetings and approval of Company transactions and events (e.g. the Company Board of Directors did not discuss the plan to move into a new office building, the need to hire a Chief Investment Manager, entering the Mobile Home market, or converting to a new financial/accounting software program, etc.) in accordance with Section 607.1601, Florida Statutes. **We recommend that the Company comply with Section 607.1601, Florida Statutes.**

The recorded minutes of the Board and Investment Committee did not adequately document the authorization of investments and review of the investment policy as required by Section 625.304, Florida statutes. **We recommend that the Company comply with Section 625.304, Florida Statutes.**

Reclassification of Accounts

Other Amounts Receivable under Reinsurance Contracts

Other amounts receivable were increased by $3,546,372 representing a reclassification of the debit balance in commissions payable, contingent commissions and other similar charges. **We recommend that the Company comply with SAPP No. 62 (18) and correctly report account balances on all future annual and quarterly filings as required in Section 624.424, Florida Statutes.**

Commissions Payable, Contingent Commissions and Other Similar Charges

The Company reported ($3,546,372) which represented profit commission receivable under a reinsurance contract. The debit liability account balance was reclassified to an asset decreasing the reported amount by $3,546,372**.**

We recommend that the Company comply with SSAP No. 62(18) and correctly report account balances on all future annual and quarterly statement filings as required in Section 624.424, Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Fidelity Fire and Casualty Company** as of December 31, 2008, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was $11,448,174 in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Todd Fatzinger, CFE, CIE, FLMI Examination Resources, LLC Supervising Examiner; Sharon Sybrandt, CPA, CFE, Examination Resources, LLC Examiner-in-Charge; Susan Bonner, CPA, Examination Resources, LLC Examiner; Deanna Leyden, CFE, CISA, CICA Examination Resources, LLC IT Specialist; and Randall D. Ross, ACAS, MAAA Taylor-Walker & Associates, Inc. Consulting Actuary, participated in the examination.

Respectfully submitted,

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James M. Pafford, Jr.
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation