REPORT ON EXAMINATION

OF

FIDELITY FIRE & CASUALTY COMPANY

LAKE MARY, FLORIDA

AS OF

DECEMBER 31, 2013

BY THE

FLORIDA OFFICE OF INSURANCE REGULATION

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March 12, 2015

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, Rule 69O-138.005, Florida Administrative Code, 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, 2013, of the financial condition and corporate affairs of:

FIDELITY FIRE & 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, 2009 through December 31, 2013. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2008. This examination commenced with planning at the Office from September 15, 2014 to September 19, 2014. The fieldwork commenced on September 22, 2014 and concluded as of March 12, 2015.

This financial examination was a multi-state 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.

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

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

SUMMARY OF SIGNIFICANT FINDINGS

Current Exam Findings

There were no material findings, exceptions or corrective action to be taken by the Company for the examination as of December 31, 2013.

Prior Exam Findings

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2008, along with resulting action taken by the Company in connection therewith.

Corporate Records

The recorded minutes of the Board and Investment Committee did not adequately document their meetings and approval of Company transactions and events (e.g. the Company Board did not discuss the plan to move into a new office building, the need to hire a Chief Investment Manager, the plan to enter the mobile home insurance market, or converting to a new financial/accounting software program, etc.) in accordance with Section 607.1601, Florida Statutes. **<u>Resolution:</u> The recorded minutes of the Board and Investment Committee adequately documented the**

meetings and approval of Company transactions and events to 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. **Resolution: The recorded minutes of the Board and Investment Committee adequately documented the authorization of investments and review of the investment policy to comply with Section 625.304, Florida Statutes.**

Reclassification of Accounts

Other amounts receivable under reinsurance

Other amounts receivable under reinsurance were increased by $3,546,372 representing a reclassification of the debit balance in commissions payable, contingent commissions, and other similar charges. **Resolution: Other amounts receivable under reinsurance contracts was properly reported in the annual statements and quarterly statement filings during the examination period according to SSAP No. 62 (18) to comply with 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. **Resolution: Other amounts receivable under reinsurance contracts was properly reported in the annual statements and quarterly statement filings during the examination period according to SSAP No. 62 (18) to comply**

with Section 624.424, Florida Statutes.

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 authorized to transact the following insurance coverage in Florida on various dates beginning in 2005 to 2013 and continued to be authorized as of December 31, 2013:

Fire	Allied Lines
Homeowners Multi-Peril	Commercial Multi-Peril
Other Liability	

Subsequent event: The Company was authorized to transact Miscellaneous Casualty insurance coverage on May 28, 2014.

The Articles of Incorporation were amended during the period covered by this examination to reflect the new principal place of business. The bylaws were not amended during the period covered by this examination.

Dividends to Stockholders

The Company did not declare or pay any dividends during the period of this examination.

Capital Stock and Capital Contributions

As of December 31, 2013, 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., which owned 100% of the stock issued by the Company, which in turn was owned by various shareholders including Lanier Miles Porter (23%), Willis Thomas King, Jr. (24%), Harold Mack Humphrey (0.4%), Dwayne Richard Williams (3%), Leman M. Porter (29%), Louis Victor Vendittelli (3%), Emily Roberts King (4%) and all other investors (14%). The parent contributed $2,000,000 and $5,000,000 in cash to the Company as of June 30, 2010 and December 28, 2011, respectively.

Surplus Notes

The Company had the following surplus debentures outstanding at December 31, 2013:

- Prime + 1% subordinated surplus debenture from Fidelity Insurance Managers, Inc., an affiliated company, issued December 31, 2009, for $1,000,000
- 2% subordinated surplus debenture from Fidelity Insurance Managers, Inc., an affiliated company, issued April 30, 2011, for $1,250,000

The Company shall not make any principal or interest payments with respect to the aforementioned debentures unless such payment is approved in advance by the Office. The Board of Fidelity Insurance Managers, Inc. agreed to forgive interest due for the surplus notes through December 31, 2013.

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

The Company had no acquisitions, mergers, disposals, dissolutions and purchase or sales through reinsurance during the period of this examination.

CORPORATE RECORDS

The recorded minutes of the Shareholder, Board, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, in compliance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments as required by Section 625.304, Florida Statutes.

Conflict of Interest

The Company adopted a policy statement requiring periodic disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

MANAGEMENT AND CONTROL

Management

The annual shareholder meeting for the election of directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2013, were:

Directors

Name and Location	Principal Occupation
Lanier Miles Porter Longwood, Florida	Chief Executive Officer, Fidelity Fire & Casualty Company
Leman Miles Porter Heathrow, Florida	President, Fidelity Fire & Casualty Company
Dwayne Richard Williams Heathrow, Florida	Treasurer, Fidelity Fire & Casualty Company
Willis Thomas King Summit, New Jersey	Director, Fidelity Fire & Casualty Company
Harold Mack Humphrey Miami, Florida	Director, Fidelity Insurance Holdings, Inc.
Louis Victor Vendittelli Longwood, Florida	General Counsel of the Company Attorney, Sheehe & Vendittelli, PA
Emily Roberts King Summit, New Jersey	Chairman of the Board, Fidelity Fire & Casualty Company

In accordance with the Company's bylaws, the Board appointed the following senior officers:

Senior Officers

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

Following were the principal internal Board committees and their members as of December 31, 2013:

Audit Committee	Investment Committee
Emily Roberts King [1]	Willis Thomas King [1]
Harold Mack Humphrey	Lanier Miles Porter
Jack Casagrande	Leman Miles Porter
	Dwayne Richard Williams
	Benjamin Andrew Treuil

[1] Chairman

The Company was not in compliance with Section 624.424(8)(c), Rule 69O-137.002(14) (b), Florida Administrative Code. Jack Casagrande served on the Audit Committee, but he was neither a member of the Company's Board of Directors, nor a member of the Board of Directors of the insurance holding company group; therefore, he did not qualify to serve on the Audit Committee. **Subsequent event:** Mr. Casagrande resigned from the Audit Committee and another member of the Board took this place on the Audit Committee. The Company is in compliance with Section 624.424(8)(c), Rule 69O-137.002(14) (b), Florida Administrative Code.

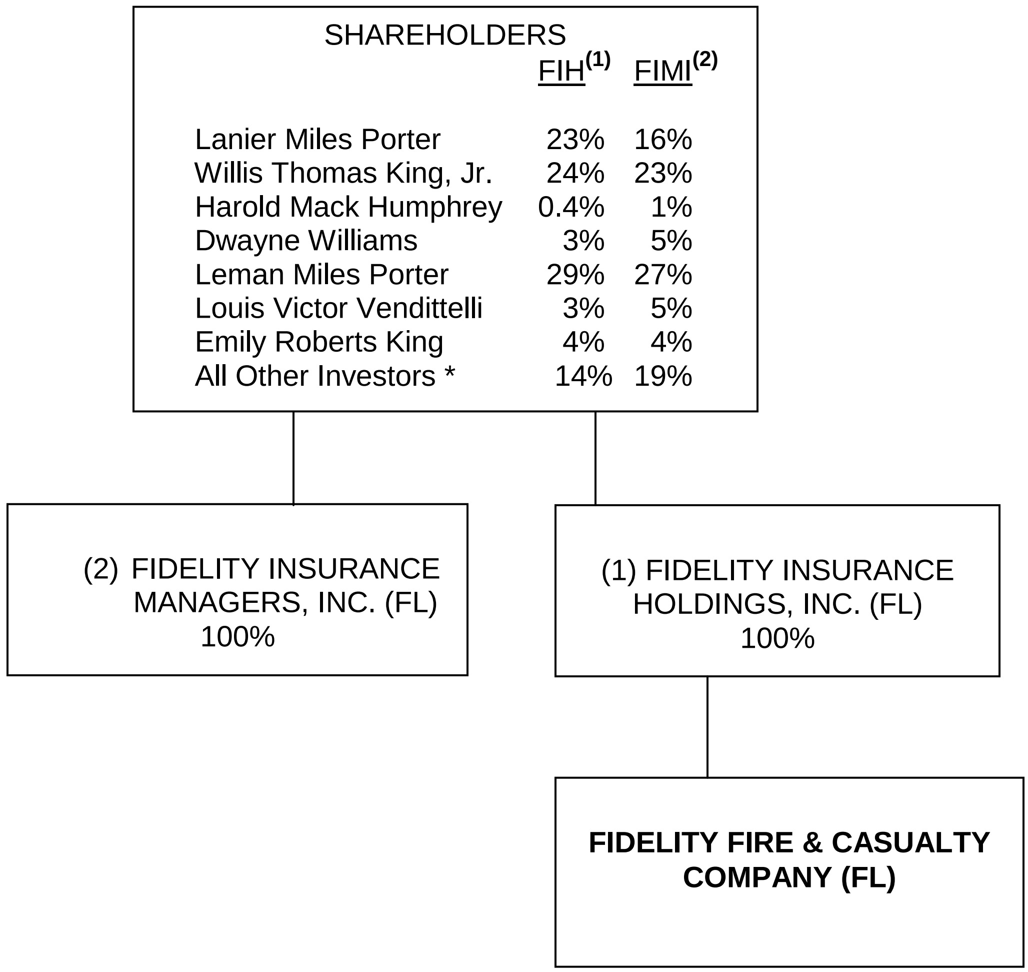
Affiliated Companies

The most recent holding company registration statement was filed with the State of Florida on June 23, 2014, as required by Section 628.801, Florida Statutes.

A simplified organizational chart as of December 31, 2013, reflecting the holding company system, is shown on the following page. Schedule Y, Part 1A of the Company's 2013 annual statement provided a list of all related companies of the holding company group.

FIDELITY FIRE & CASUALTY COMPANY
SIMPLIFIED ORGANIZATIONAL CHART

DECEMBER 31, 2013



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

Tax Allocation Agreement

The Company, along with its parent, Fidelity Insurance Holdings, Inc. (FIH), filed a consolidated federal income tax return. On December 31, 2013, the method of allocation between the Company and its parent was based upon calculations on a separate company basis. The Company settled intercompany balances quarterly.

Management Agreement

The Company entered into a management agreement on March 1, 2007, with its parent, FIH, to provide certain management services. The agreement continues in force and effect for an indefinite number of successive one-year periods thereafter unless and until terminated by agreement of the parties or by written notice by either party to the other, to be effective not less than ninety (90) days thereafter. Under the terms of the management agreement, FIH's duties included corporate organization, investment management, financial management, accounting and tax services, legal advice, corporate management services, human resource services, corporate expense oversight, benefit plan management, actuarial services, regulatory liaison services, reinsurance services, and other ministerial functions. In exchange for the services provided, FIH received a fee from the Company equal to 5% of the Company's net earned premium. During 2013, the Company paid FIH $5,034,252 under the terms of the management agreement.

Managing General Agency Agreement

The Company entered into a Managing General Agency Agreement with Fidelity Insurance Managers, Inc. (FID MGR) on January 1, 2006, to market, underwrite and manage the Company's property and casualty insurance programs. On January 1, 2009, the parties entered into an Amended Managing General Agency Agreement that replaced the agreement of January 1, 2006. **Subsequent Event:** The parties replaced the agreement of January 1, 2009, with the Second Amended Managing General Agency Agreement, effective December 12, 2014. The Second Amended Managing General Agency Agreement was filed with the Office for prior approval, as required by Rule 69O-143.047, Florida Administrative Code. The Company filed the executed copies with the Office on February 17, 2015.

Duties and responsibilities of FID MGR in conducting the insurance business included: development of underwriting guidelines, marketing and sales materials, solicitation and evaluation of policy applications, premium and collection, policy cancellation, appointment of sub-producers, and claims servicing. Additional duties included agent licensing, administration, recordkeeping and reporting, compliance with insurance rules and regulations, provide all information required to file policy forms for approval, responsible for its own expenses, hold meetings with the Company, and claims administration and settlement.

FID MGR received a fee from the Company for providing underwriting, marketing, and administration services equal to 10% of the Company's net written premium. In addition, FID MGR received a fee from the Company for payment of agent commissions. For business written in Florida and Alabama, FID MGR received a fee equal to 11.5% of the Company's net written premium. For business written in South Carolina, FID MGR received a fee equal to 12% of the

Company's net written premium. For business written in North Carolina, FID MGR received a fee equal to 13% of the Company's net written premium. FID MGR retained a $2 installment fee per installment for payments made under the installment payment option offered by the Company. FID MGR was also entitled to a $25 per policy servicing fee, which was collected from the policyholders. FID MGR received a fee from the Company equal to 15.5% of the Company's gross incurred loss (the net amount of losses paid, recoveries, and the change in outstanding loss reserves for the month) excluding catastrophe losses in exchange for the claims servicing and administration services provided. FID MGR was paid a monthly fee equal to 1% of the Company's gross paid catastrophe losses, plus an inspection/adjusting fee per adjusted claim at rates to be set each June 1. Furthermore, FID MGR is entitled to 40% of any recoveries from subrogation claims brought by the Company. Fees incurred under this agreement during 2013 amounted to $25,353,322.

Reinsurance Intermediary Broker Services Agreement

The Company entered into an agreement with Frontline Insurance Managers Inc. effective May 16, 2007, to provide reinsurance intermediary broker services for the following treaties: property catastrophic excess of loss, property per risk excess of losses, reinstatement premium protection, and multiple line quota share reinsurance. Frontline Insurance Managers Inc. received the standard brokerage amount from the reinsurer, based on the gross ceded reinsurance premium for each treaty.

Intercreditor Agreement

The Company and its affiliate, First Protective Insurance Company, entered into a Commercial Promissory Note transaction with another affiliated company, Heathrow Land Holdings, LLC, (Heathrow) whereby the Companies loaned Heathrow $2,400,000 and $2,200,000, respectively. The loan was secured by a mortgage on commercial real estate owned by Heathrow Land Holdings, LLC through a mortgage and security agreement. The Company and First Protective Insurance Company executed an intercreditor agreement establishing an equal priority lien mortgage on the property. Rental income earned on the property by Heathrow will be used to fund the mortgage loan payments. The transactions were approved by the Office on October 28, 2013.

FIDELITY BOND AND OTHER INSURANCE

The Company maintained fidelity bond coverage up to $700,000 with a deductible of $25,000, which reached the suggested minimum as recommended by the NAIC.

The Company also maintained insurance company professional liability coverage with a limit of $5,000,000 and retention of $150,000, in addition to directors and officers and private liability insurance coverage with an aggregate limit of $1,000,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

There were no pension, stock ownership or insurance plans in place at the Company during the period of this examination.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states:

Alabama	Florida	Delaware
South Carolina	North Carolina	Maryland

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.

COMPANY GROWTH

The Company's surplus increased by 99% since the prior examination, from $11,448,174 as of December 31, 2008 to $22,801,075 as of December 31, 2013. The Company received two capital contributions in 2010 and 2011 from its parent, FIH totaling $7,000,000.

Premium grew proportionally during the examination period as the Company expanded its business. Gross written premium increased 203% from the prior examination, while net written premiums increased 245%. Net premiums earned increased slightly from $26.6 million in 2012 to $28.6 million in 2013, representing an 8% increase, which was due primarily to a 14.9% Homeowners Multi-Peril rate increase effective November 2012, offset by increases in ceded earned premiums during the year. Furthermore, the Company experienced favorable results from quiet storm seasons from late 2010 to 2013, resulting in the ability to generate net income of

$4,096,526, in the most recent three reporting years, recovering from its combined losses of $3,593,279 in 2009 and 2010.

Profitability of Company

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

	2013	2012	2011	2010	2009
Premiums Earned	28,614,239	26,580,787	23,181,462	13,892,700	4,654,078
Net Underwriting Gain/(Loss)	1,408,450	47,647	2,416,133	(2,609,465)	(2,811,862)
Net Income	1,580,175	695,715	1,820,636	(1,730,691)	(1,862,588)
Total Assets	71,858,841	62,858,585	54,364,363	36,911,012	26,222,668
Total Liabilities	49,057,766	42,112,590	34,494,865	25,806,750	15,315,576
Surplus As Regards Policyholders	22,801,075	20,745,995	19,869,498	11,104,261	10,907,092

LOSS EXPERIENCE

The liability for loss adjustment expenses increased by 347% from 2012 to 2013, primarily due to the Company's continuing efforts to evaluate general loss classification types and establish accurate standard loss adjustment expenses reserves.

The liability for unpaid losses increased by 27% in 2013 from the amount reported in 2012 primarily attributable to growth and the increase of claims open at December 31, 2013.

The Company's pure loss ratio in 2013 was 11% lower than the industry average for the Homeowners line of business. This is primarily due to the Company's reinsurance programs that attempts to reduce its exposure to severe losses. This is in line with the Company's increased efforts in pursuing subrogation when available. The combined loss ratio was below 100% in all years during the examination period except in 2009, showing improvement from the combined loss ratio of 171% in 2009. The combined loss ratio in 2013 was 96%.

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 any reinsurance during the period of this examination.

Ceded

The Company ceded catastrophe risks on an excess of loss basis to certain Lloyd's syndicates and other commercial reinsurers. Under the catastrophe excess of loss agreements, the Company had retention of $2 million and coverage of up to $113 million, with the provision for one reinstatement. In addition, the Company purchased reinstatement premium protection.

The Company entered into a reimbursement contract with the Florida Hurricane Catastrophe Fund which provided 90% coverage of up to $141 million of losses per catastrophe. Combined, the Company had $254 million of catastrophe loss reinsurance coverage.

The Company participated in a 50% multiple line quota share reinsurance agreement for non-catastrophe risks effective December 31, 2010, with Liberty Syndicates, Paris.

The Company participated in an automatic facultative excess agreement with General Reinsurance Corporation effective March 1, 2013, placing insured property business in excess of $2.5 million to $11 million. The liability for the reinsurer is not to exceed $45 million with respect to all losses combined for all risks involved in one loss occurrence during the term of the agreement.

The Company obtained reinsurance for the personal umbrella coverage written from General Reinsurance Corporation effective January 1, 2013 until terminated, with a 5% retention of the first $1 million of each occurrence and minimum limit of $300 thousand. Reinsurer limits are 95% of the first $1 million of each occurrence, and 100% of the difference, between the policy limit and the first $1 million of each occurrence.

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

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Lake Mary, Florida.

The Company maintained its general ledger through Fiserv accounting software. The Company also utilized Fiserv SIS component based application that automated processing for policy issuance, billing and collection, claims management, and management statistics.

The Company and non-affiliates had the following agreements:

Custodial Agreement

The Company maintained a custodial agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated executed on April 2, 2012. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

Discretionary Investment Management Agreement

The Company entered into an agreement with Blackrock Investment Managers, LLC effective June 8, 2010. The purpose of the discretionary investment management agreement was to provide brokerage services to the Company, at a fee of 22 basis points on the portfolio.

Independent Auditor Agreement

An independent CPA audited the Company’s statutory basis financial statements annually for the years 2009, 2010, 2011, 2012 and 2013, 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.

INFORMATION TECHNOLOGY REPORT

INS Services, Inc. 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.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law:

STATE	Description	Par Value	Market Value
FL	Cash Deposit	$ 250,000	$ 250,000
FL	Interest	$ 2,945	$ 2,945
TOTAL FLORIDA DEPOSITS		$ 252,945	$ 252,945
NC	Charlotte NC, 4.625%, 01/15/2026	$ 100,000	$ 102,137
NC	Fayetteville NC ST, 5%, 04/01/2037	100,000	100,657
NC	New Hanover Cnty NC, 5%, 12/01/2027	100,000	109,980
NC	First Amer, TOF, n/a, n/a	2,500	2,500
NC	Interest	11,647	
SC	CD, 0.36%, 03/27/2014	100,000	100,000
SC	CD, 0.20%, 01/21/2014	25,000	25,000
TOTAL OTHER DEPOSITS		$ 439,147	$ 440,274
TOTAL SPECIAL DEPOSITS		$ 692,092	$ 693,219

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2013, 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 & CASUALTY COMPANY

Assets

DECEMBER 31, 2013

	Per Company	Examination Adjustments	Per Examination
Bonds	$40,460,424		$40,460,424
Stocks:			
Common stocks	3,548,962		3,548,962
Mortgage loans on real estate:			
First liens	2,191,420		2,191,420
Cash and short-term Investments	12,555,260		12,555,260
Other invested assets	2,671,965		2,671,965
Receivable for securities	8,716		8,716
Investment income due and accrued	418,769		418,769
Premiums and considerations:			
Uncollected premium	1,340,848		1,340,848
Deferred premium	5,786,690		5,786,690
Reinsurance:			0
Other amounts receivable under reinsurance contracts	1,217,170		1,217,170
Current federal and foreign income tax recoverable and interest thereon	497,954		497,954
Net deferred tax asset	975,610		975,610
Receivable from parents, subsidiaries and affiliates	22,240		22,240
Aggregate write-in for other than invested assets	162,813		162,813
Totals	$71,858,841	$0	$71,858,841

FIDELITY FIRE & CASUALTY COMPANY
Liabilities, Surplus and Other Funds

DECEMBER 31, 2013

	Per Company	Examination Adjustments	Per Examination
Losses	$7,121,932		$7,121,932
Loss adjustment expenses	3,275,716		3,275,716
Other expenses	26,734		26,734
Taxes, licenses and fees	707,025		707,025
Unearned premiums	14,996,124		14,996,124
Advance premium	2,664,254		2,664,254
Ceded reinsurance premiums payable	17,017,644		17,017,644
Funds held by company under reinsurance treaties	71,303		71,303
Remittances and items not allocated	13,425		13,425
Payable to parent, subsidiaries and affiliates	2,772,977		2,772,977
Aggregate write-ins for liabilities	390,632		390,632
Total Liabilities	$49,057,766	$0	$49,057,766
Common capital stock	$4,000,000		$4,000,000
Surplus notes	2,250,000		2,250,000
Gross paid in and contributed surplus	14,400,000		14,400,000
Unassigned funds (surplus)	2,151,075		2,151,075
Surplus as regards policyholders	$22,801,075	$0	$22,801,075
Total liabilities, surplus and other funds	$71,858,841	$0	$71,858,841

FIDELITY FIRE & CASUALTY COMPANY
Statement of Income

DECEMBER 31, 2013

Underwriting Income	
Premiums earned	$28,614,239
Deductions:	
Losses incurred	$11,090,506
Loss expenses incurred	4,486,908
Other underwriting expenses incurred	11,628,375
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	$27,205,789
Net underwriting gain or (loss)	$1,408,450
Investment Income	
Net investment income earned	$850,428
Net realized capital gains or (losses)	87,072
Net investment gain or (loss)	$937,500
Other Income	
Net gain or (loss) from agents' or premium balances charged off	($30,611)
Finance and service charges not included in premiums	77,883
Aggregate write-ins for miscellaneous income	0
Total other income	$47,272
Net income before dividends to policyholders and before federal & foreign income taxes	$2,393,221
Dividends to policyholders	0
Net Income, after dividends to policyholders, but before federal & foreign income taxes	$2,393,221
Federal & foreign income taxes	813,046
Net Income	$1,580,175
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$20,745,995
Net Income	$1,580,175
Change in net unrealized capital gains or losses	595,935
Change in net deferred income tax	(133,543)
Change in non-admitted assets	12,513
Change in provision for reinsurance	0
Change in surplus notes	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	$2,055,080
Surplus as regards policyholders, December 31 current year	$22,801,075

FIDELITY FIRE & CASUALTY COMPANY
Comparative Analysis of Changes in Surplus

DECEMBER 31, 2013

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, 2013, per Annual Statement				$22,801,075
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS: No Adjustment				
LIABILITIES: No Adjustment				
Net Change in Surplus:				0
Surplus as Regards Policyholders December 31, 2013, Per Examination				$22,801,075

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses $10,397,648

An outside actuarial firm appointed by the Board rendered an opinion that the amounts carried in the balance sheet as of December 31, 2013, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuaries, Robert W. Gardner, FCAS, MAAA, Eugene G. Thompson, ACAS, MAAA, and Michael W. Morro, ACAS, MAAA, with INS Consultants, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and they were in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of $22,801,075, exceeded the minimum of $5,000,000, required by Section 624.408, 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 & Casualty Company as of December 31, 2013, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's surplus as regards policyholders was $22,801,075, which exceeded the minimum of $5,000,000, required by Section 624.408, Florida Statutes.

In addition to the undersigned, Colette M. Hogan Sawyer, CFE, Examiner-In-Charge, of INS Regulatory Insurance Services, Inc., Robert W. Gardner, FCAS, MAAA, Eugene G. Thompson, ACAS, MAAA, and Michael W. Morro, ACAS, MAAA, consulting actuaries with INS Consultants, Inc. and Kevin Ralston, CISA, IT Examiner and Claude B. Granese, CPA, IT Manager with INS Services, Inc., and Tracy D. Gates, CISA, CFE, CPA, Highland Clark, LLC, Examination Manager, participated in the examination. Additionally, Kyra D. Brown, Financial Specialist, Luke Stavenau, Financial Examiner/Analyst I, and Mikhael Goldgisser, Financial Examiner/Analyst I, all of the Office participated in the examination.

Respectfully submitted,

____
Robin Brown, CFE
Chief Examiner
Florida Office of Insurance Regulation