REPORT OF EXAMINATION
OF THE

FIDELITY NATIONAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2008

Participating State
and Zone:

California

Filed February 23, 2010

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Los Angeles, California
December 18, 2009

Honorable Alfred W. Gross
Chairman of the NAIC Financial
Condition Subcommittee
Commissioner of Insurance
Virginia Bureau of Insurance
Richmond, Virginia

Honorable Christina Urias
Secretary, Zone IV-Western
Director of Insurance
Arizona Department of Insurance
Phoenix, Arizona

Honorable Steve Poizner
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Chairman, Secretary, and Commissioner:

Pursuant to your instructions, an examination was made of the

FIDELITY NATIONAL INSURANCE COMPANY

(hereinafter also referred to as the Company) at the primary location of its books and records, 4905 Belfort Road, Suite 110, Jacksonville, Florida 32256. Effective April 1, 2009, the primary location of the Company's books and records was moved from 601 Riverside Avenue Bldg. 5, Suite 200, Jacksonville, Florida, 32232 to its current location. The Company's main administrative office is located at 601 Riverside Avenue, Jacksonville, Florida 32204 and its statutory home office is located at 4050 Calle Real, Santa Barbara, California 93110.

SCOPE OF EXAMINATION

The previous examination of the Company was made as of December 31, 2005. This examination covers the period from January 1, 2006, through December 31, 2008. The examination was made pursuant to the National Association of Insurance Commissioners' plan of examination. The examination included a review of the Company's practices and procedures, an examination of

management records, tests and analyses of detailed transactions within the examination period, and an evaluation of the assets and a determination of liabilities as of December 31, 2008, as deemed necessary under the circumstances.

This examination was conducted concurrently with the New York State Insurance Department's examination of the Company's subsidiary, Fidelity National Property and Casualty Insurance Company (FNPAC).

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; officers,' employees' and agents' welfare and pension plans; growth of company; business in force by states; loss experience; and sales and advertising.

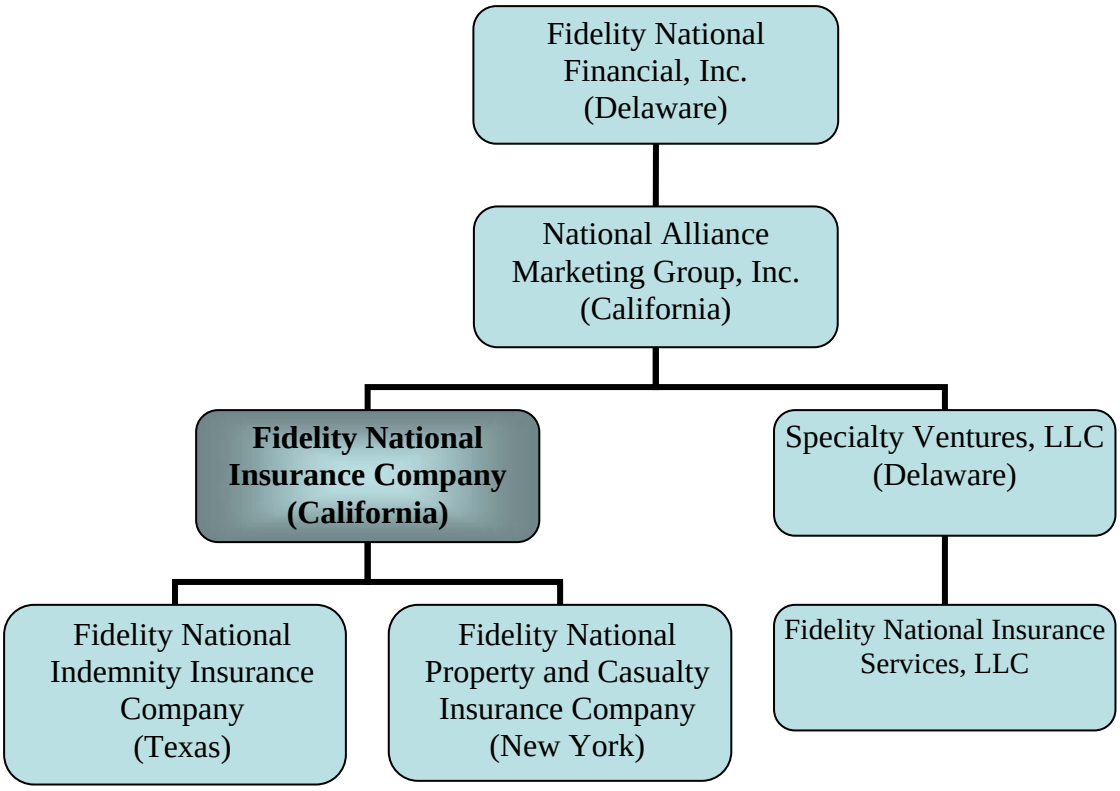
COMPANY HISTORY

The Company was incorporated in the State of California on April 26, 1990. In August 2003, the Company's administrative office was relocated from Santa Barbara, California to Jacksonville, Florida. Following approval of the transaction by the California Department of Insurance, Fidelity National Financial, Inc. (FNF) acquired 100% of the outstanding shares of the Company on June 28, 2005 from Fidelity National Title Insurance Company. On October 24, 2006, the Company was contributed by FNF to National Alliance Marketing Group, Inc. as part of an internal restructuring of FNF. FNF is the ultimate parent of the Company.

The Company has 1,000,000 shares of common stock authorized of which only 65,000 shares are issued and outstanding at $50.00 par value each.

MANAGEMENT AND CONTROL

The following abridged organization chart depicts the Company's relationship within the holding company system as of December 31, 2008:



(*) All ownership is 100%.

Management of the Company is vested in a five-member board of directors elected annually. A listing of the members of the board and principal officers serving on December 31, 2008 follows:

Directors

Name and Residence	Principal Business Affiliation
Mark O. Davey Ponte Vedra Beach, Florida	President, and Chief Executive Officer Fidelity National Specialty Group
Anthony J. Park Jacksonville, Florida	Chief Financial Officer Fidelity National Financial, Inc. Fidelity National Specialty Group
Raymond R. Quirk Jacksonville, Florida	President Fidelity National Financial, Inc.
Peter T. Sadowski Jacksonville, Florida	Executive Vice President, and Chief Legal Officer Fidelity National Financial, Inc.
Alan L. Stinson Jacksonville, Florida	Chief Executive Officer Fidelity National Financial, Inc.

Principal Officers

Name	Title
Mark O. Davey	President and Chief Executive Officer
Michael L. Gravelle	Executive Vice President, and Corporate Secretary
Anthony J. Park	Chief Financial Officer
Daniel K. Murphy	Senior Vice President, and Treasurer

Meetings

The Company's board of directors did not conduct any formal meetings during the examination period; all of the board of directors meeting minutes were written consents in lieu of meetings. A review of the Company's by-laws indicated that annual board of directors meetings were not required by the by-laws.

Management Agreements

General Agency Agreement: The Company is party to a General Agency Agreement with its affiliated agency, Fidelity National Insurance Services Inc. (FNIS), effective March 15, 2001. An amended agreement to reflect a change of participant from Anza Insurance Company to the Company was filed with the California Department of Insurance (CDI) on December 26, 2007, and is currently being reviewed. Under the terms of the agreement, FNIS is authorized to solicit, and bind the Company and to issue policies of insurance. The Company pays FNIS a commission of 25% of net written premiums less any cancellations. FNIS also retains 97.5% of the fees collected from policyholders, and remits the remaining 2.5%, less any cancellations, to the Company. FNIS underwrote and issued 100% of the Company's insurance business. For 2006, 2007, and 2008, the Company paid commissions of $33.6 million, $28.3 million, and $22.9 million, respectively to FNIS.

Flood Insurance Full Service Vendor Agreement: Effective June 1, 2005, the Company became a party to a Flood Insurance Full Service Vendor Agreement with FNIS. Under the terms of the agreement, FNIS provided administrative and related services to the Company for the flood policies written by FNIS on behalf of the Company. FNIS was authorized to solicit, bind the Company, and issue the policies of insurance, as well as process all flood related claims. The Company paid FNIS 4.8% of the monthly gross written premiums on its flood business. The Company shared equally any reimbursements from the Federal Emergency Management Agency for unallocated loss adjustment expenses with FNIS. For 2006, 2007, and 2008, the total fees paid to FNIS under the terms of the agreement were $16.7 million, $9.9 million, and $5.0 million, respectively.

The prior examination report noted that the Company failed to file and seek prior approval from the CDI prior to entering into the Flood Insurance Full Service Vendor Agreement as required by California Insurance Code (CIC) Section 1215.5(b)(4). The agreement was filed with the CDI on December 26, 2007; however, the Company was unable to demonstrate compliance with the Managing General Agents Act, CIC Section 769.81, since the role of the service provider under the agreement involves both underwriting and claims handling. The Company was also unable to demonstrate that the monthly fees based on 4.8% of monthly gross written premium payable are fair and reasonable, in accordance with CIC Section 1215.5(a)(1) & (2). On December 18, 2009, the Company officially withdrew its application for the approval of this agreement stating that, effective February 1, 2010, the Company would no longer underwrite and administer any new flood insurance policies. It is recommended that the Company seek prior approval from the CDI prior to the execution of any agreements in accordance with CIC Section 1215.5(b)(4).

A review of the Annual Holding Company Registration Statement (Form B) filings noted the Company failed to disclose the Flood Insurance Full Service Vendor Agreement as required by CIC Section 1215.4(b). It is also recommended that the Company disclose all applicable agreements in its Form B filings pursuant to CIC Section 1215.4(b).

Master Services Agreement: The Company and certain affiliates are parties to a Master Services Agreement, effective March 12, 2003 with Fidelity National Financial, Inc. (FNF). The Company stated the Master Services Agreement provides for the efficient coordination of administrative functions by and between the members of the FNF holding company system and prevents unnecessary duplication of operations. The designated services in the agreement are as follows: Insurance underwriters listed on the Statement of Adoption and Participation provides underwriting services; Fidelity National Management Services, LLC provides claims settlement, investment management, administrative, and personnel services; Fidelity National Information Solutions, Inc. provides information technology services. Compensation for services under the terms of the agreement is limited to reimbursement of actual expenses. For 2006, 2007, and 2008, FNIC paid $48,692, $47,477, and $86,754, respectively, for

services received under the terms of the agreement. The agreement was approved by the CDI on March 11, 2003.

Tax Sharing Agreement: During the examination period, the Company and its subsidiaries (FNIC Group) were included in a Tax Sharing Agreement dated August 20, 2004, by and between FNF and its affiliates. On August 31, 2006, the FNIC Group entered into a new Tax Sharing Agreement with FNF, effective January 1, 2005 to include Fidelity National Indemnity Insurance Company as a party to the agreement. Effective November 3, 2006, the FNIC Group entered into a new Tax Sharing Agreement to clarify the payment terms to indicate the time periods in which the income taxes due are to be remitted to FNF. The allocations of taxes under the terms of the agreement are as if each entity within the FNIC Group was filing its own separate federal income tax return. On, or prior to the date the FNF Group consolidated return is actually filed, the Company pays to FNF, or FNF pays to the Company, the difference between the actual tax liability and the estimated prepayments paid by the Company to FNF. If the loss or credit of the FNIC Group is utilized by the FNF Group, FNF pays the Company the amount by which the FNIC Group's tax in the earlier year is reduced by such carry-back. The agreement was approved by the CDI on October 17, 2006.

A review of the Form B filings disclosed that the Company was a party to a Tax Sharing Agreement dated August 20, 2004. The Company's Form B filings did not reflect the changes to the new Tax Sharing Agreements, effective January 1, 2005, and effective November 3, 2006, and therefore the Company was not in compliance with CIC Section 1215.4(b). Also, a review of the Form B filings indicated that the Company was a party to an Overhead Allocation Agreement, dated January 15, 2003, with its subsidiary, Fidelity National Indemnity Insurance Company (FNIIC). The Company stated that this agreement was never used and has since been replaced by a quota share agreement between FNIIC and the Company and an agency agreement between FNIIC and FNIS. The Company was not in compliance with CIC Section 1215.4(b) and the Company's Form B filings did not contain current information. It is recommended that the Company develop procedures to maintain the appropriate records to ensure the correct information is disclosed in its Form B filing pursuant to CIC Section 1215.4(b).

TERRITORY AND PLAN OF OPERATION

As of December 31, 2008, the Company was licensed to transact homeowners, auto, and other various personal lines of insurance. During the examination period, the Company also underwrote and administered claims on Federal flood insurance policies under the National Flood Insurance Program (NFIP) with the Federal Emergency Management Agency (FEMA) as a Write Your Own company coordinator. The Company was licensed to write in all states and territories except Connecticut, Minnesota, American Samoa, Guam, U.S. Virgin Islands, the Northern Mariana Islands, and Canada. During 2008, 42% of the Company's direct written premium pertained to flood business, of which 100% was ceded to the NFIP. Of the $142.3 million in direct premiums written in 2008, approximately $45.0 million (31.6%) was written in California, $16.0 million (11.2%) was written in Florida, $15.9 million (11.2%) was written in Louisiana, $13.8 million (9.7%) was written in Arizona, and $12.2 million (8.6%) was written in Texas. As of December 31, 2008, all of the Company's business was produced by Fidelity National Insurance Services (FNIS). FNIS utilizes an agency force of approximately 10,246 agents and sub-agents to write the Company's business.

Effective July 1, 2008, the Company stopped participating as a Write Your Own company coordinator under the NFIP with the FEMA, and transferred all of its flood policies (the transfer) with the corresponding unearned premium to Fidelity National Property and Casualty Company (FNPAC). The Company received verbal approval from FEMA to perform the transfer prior to July 1, 2008. The Company stated that the transfer resulted from the lack of a benefit from utilizing two NFIP carriers. FNPAC was chosen to continue underwrite and administer policies under the NFIP as FNPAC was the larger flood carrier. As part of the transfer, the future claims processing revenue (1.5% of incurred claims) was available to FNPAC to the extent that the transferred policies incurred losses. The Company stated that at the time of the transfer the future claims processing revenue was unable to be determined. The claims processing revenue (1.5% of incurred claims) collected by FNPAC as a result of the transfer was $2.8 million through June 30, 2009. FNPAC also shares any reimbursements from FEMA for unallocated loss adjustment expenses under the terms of the Flood

Insurance Full Service Vendor Agreement equally with FNIS. FNPAC remitted $1.4 million of the claims processing revenue received as a result of the transfer to FNIS through June 30, 2009.

The Company failed to enter into a written agreement with FNPAC in order to outline the terms and conditions of the transfer of the flood policies as required by California Insurance Code (CIC) Section 1215.5. It is recommended that the Company outline the terms and conditions of the transfer of the flood policies in a written agreement to comply with CIC Section 1215.5 and submit for approval.

The Company failed to report the transfer in its Annual Holding Company Registration Statement (Form B) filing as required by CIC Section 1215.4(b). It is recommended that the Company maintain the appropriate records to ensure that the required information is disclosed in its Form B filing pursuant to CIC Section 1215.4(b).

Subsequent to the examination date, the Company and both its subsidiaries applied and were accepted to participate under the NFIP with FEMA for the contract years 2009 and 2010. In October 2009, the Company began writing flood policies again as a Write Your Own company coordinator. The Company stated that subsequent to October 2009, FNPAC agreed to underwrite these policies and they expect these policies to be renewed by FNPAC no later than February 1, 2010. The Company stated they have no intention to write any new flood insurance policies after February 1, 2010.

REINSURANCE

Assumed

The Company is party to a 100% quota share reinsurance agreement with its subsidiary, Fidelity National Property and Casualty Insurance Company (FNPAC), effective January 22, 2004. The agreement provides for an arrangement in which FNPAC is to bear no business, credit or insurance risk for the lines of business reinsured, and is held fully harmless and is indemnified for all risks arising pursuant to the agreement. All lines of insurance that FNPAC is authorized to write are covered under the terms of the agreement except for the tenant bond business. The agreement was filed with the California Department of Insurance (CDI) on December 26, 2007, as recommended in

the prior examination report and is currently being reviewed. A review of the Annual Holding Company Registration Statement (Form B) filing noted that the Company failed to disclose the 100% quota share reinsurance agreement with FNPAC in accordance with California Insurance Code (CIC) Section 1215.4(b). It is recommended that the Company disclose the 100% Quota Share Reinsurance Agreement with FNPAC in their subsequent Form B filings pursuant to CIC Section 1215.4(b).

The Company is party to a 100% quota share reinsurance agreement with its subsidiary Fidelity National Indemnity Insurance Company (FNIIC), effective February 10, 2003. The agreement provides for an arrangement in which FNIIC is to bear no business, credit or insurance risk for the lines of business reinsured, and is held fully harmless and is indemnified for all risks arising pursuant to the agreement. All lines of insurance that FNIIC is authorized to write is covered under the terms of the agreement. The agreement was filed with the CDI on December 26, 2007, as recommended in the prior examination report and is currently being reviewed.

Ceded

The Company, as required by Florida statute, participates in the Florida Hurricane Catastrophe Fund, at the elected 90% participation level, which provides reimbursement to the Company under certain circumstances in the event of covered losses incurred due to a hurricane. In 2008, the Company had covered losses from Hurricane Wilma amounting to $130,000.

During the examination period, the Company's reinsurance program consisted of quota share and multi-layer property catastrophe excess of loss coverages with various reinsurers. The following is a summary of the principal ceded reinsurance treaties inforce as of December 31, 2008:

Type of Contract	Reinsurer's Name	Company's Retention	Reinsurer's Maximum Limits
Personal Umbrella Quota Share	Odyssey America Reinsurance Corporation – 33.00% - Authorized The TOA Reinsurance Company of America – 17.00% - Authorized	50% net and amounts above $5.0 million in any one risk	50% of maximum of $5.0 million combined single limit in any one risk
Facultative Quota Share	Lloyds Syndicate 1206 – SAL 1206 - Authorized	20%	80% QS of a maximum of: $3.0 million on Dwelling; $300,000 on Other Structures; $2.3 million on Personal Property; $1.2 million on Loss of Use; $1.0 million on Personal Liability; $5,000 on Medical Payments to Others
Quota Share - Identity Fraud Expense Coverage	Virginia Surety Company, Inc. - Authorized	0%	300,000 coverages issued during the term of the contract
Property Catastrophe Excess of Loss Program: 5 Layers	Multiple Authorized and Unauthorized Reinsurers	$10.0 million and all losses above $120.0 million/per occurrence	$7.5 million excess of $10.0 million $17.5 million excess of $17.5 million $35.0 million excess of $35.0 million $30.0 million excess of $70.0 million $20.0 million excess of $100.0 million

A review of the Company's facultative quota share reinsurance agreement noted it was not in compliance with California Code of Regulations (CCR), Title 10, Chapter 5, Subchapter 3, Article 3, Section 2303.13 because it did not contain an acceptable insolvency clause. It is recommended that the Facultative Quota Share reinsurance agreement be amended to include an acceptable insolvency clause as required by Title 10 Section 2303.13.

As of December 31, 2008, the Company has recorded a total reinsurance recoverable of $4.9 million, including $3.3 million from authorized unaffiliated reinsurers, and $1.6 million from unauthorized unaffiliated reinsurers.

ACCOUNTS AND RECORDS

During the course of the examination, a review was made of the Company's general controls over its information systems. As a result of the review, a weakness was noted in the area of change management. The weakness noted was presented to the Company along with a recommendation to strengthen its controls. The Company evaluated the recommendation and made the appropriate changes on November 16, 2009, to strengthen its information system controls over change management.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2008

Underwriting and Investment Exhibit for the Year Ended December 31, 2008

Reconciliation of Surplus as Regards Policyholders
from December 31, 2005 through December 31, 2008

Statement of Financial Condition
as of December 31, 2008

Assets	Ledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 114,431,856	$	$ 114,431,856	(1)
Common stocks	117,876,732		117,876,732	(2)
Cash and short-term investments	5,358,505		5,358,505	(1)
Receivables for securities	228,440		228,440	
Investment income due or accrued	1,801,877		1,801,877	
Uncollected premiums and agents' balances in course of collection	7,690,756		7,690,756	
Amounts recoverable from reinsurers	2,195,985		2,195,985	
Current federal and foreign income tax recoverable and interest thereon	3,965,173		3,965,173	
Net deferred tax asset	5,934,624	1,273,199	4,661,425	
Total assets	$ 259,483,948	$ 1,273,199	$ 258,210,749	
Liabilities, Surplus and Other Funds				
Losses			$ 50,211,036	(3)
Reinsurance payable on paid losses and loss adjustment expenses			4,493,303	
Loss adjustment expenses			3,594,604	(3)
Other expenses			616,734	
Taxes, licenses and fees			(1,440,892)	
Unearned premiums			62,262,065	
Ceded reinsurance premiums payable			(1,236,412)	
Provision for reinsurance			91,000	
Payable to parent, subsidiaries and affiliates			371,386	
Aggregate write-ins for liabilities			2,622,788	
Total liabilities			121,585,612	
Common capital stock		$ 3,250,000		
Gross paid-in and contributed surplus		59,993,824		
Unassigned funds (surplus)		73,381,313		
Surplus as regards policyholders			136,625,137	
Total liabilities, surplus and other funds			$ 258,210,749	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2008

Statement of Income

Underwriting Income		
Premiums earned		$ 137,680,511
Deductions:		
Losses incurred	$ 95,990,520	
Loss adjustment expense incurred	15,213,495	
Other underwriting expenses incurred	42,328,957	
Total underwriting deductions		153,532,972
Net underwriting loss		(15,852,461)
Investment Income		
Net investment income earned	$ 6,088,884	
Net realized capital losses	(471,116)	
Net investment gain		5,617,768
Other Income		
Aggregate write-ins for miscellaneous income	$ 60,319	
Total other income		60,319
Net income before federal and foreign income taxes		(10,174,374)
Federal and foreign income taxes incurred		(4,594,002)
Net loss		$ (5,580,372)

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2007		$ 130,874,206
Net loss	$ (5,580,372)	
Change in net unrealized capital gains	12,089,870	
Change in net deferred income tax	(579,889)	
Change in nonadmitted assets	(87,678)	
Change in provision for reinsurance	(91,000)	
Change in surplus as regards policyholders		5,750,931
Surplus as regards policyholders, December 31, 2008		$ 136,625,137

Reconciliation of Surplus as Regards Policyholders
from December 31, 2005 through December 31, 2008

Surplus as regards policyholders, December 31, 2005, per Examination			$ 100,993,544
	Gain in Surplus	Loss in Surplus	
Net income	$ 1,322,386	$	
Change in net unrealized capital gains	35,041,073		
Change in deferred income tax		228,496	
Change in nonadmitted assets		412,370	
Change in provision for reinsurance		91,000	
Totals	$ 36,363,459	$ 731,866	
Net increase in surplus as regards policyholders for the examination			35,631,593
Surplus as regards policyholders, December 31, 2008, per Examination			$ 136,625,137

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Bonds and Short-Term Investments

The Company was unable to provide documentation showing approval by the California Department of Insurance (CDI) of its Custodial Agreement with The Bank of New York Trust Company, executed on March 2, 2007. The Custodial Agreement does not adhere to the guidance regarding Custodial and Safekeeping Agreements provided by the National Association of Insurance Commissioners' (NAIC) Financial Condition Examiners Handbook given that the agreement lacks ten of the recommended provisions. It is recommended that the Company revise its Custodial Agreement with The Bank of New York Trust Company to include the provisions recommended by the NAIC Financial Condition Examiners Handbook. It is also recommended that the Company submit the revised Custodial Agreement with The Bank of New York Trust Company to the CDI for approval pursuant to California Insurance Code (CIC) Section 1104.9(c).

(2) Common Stocks

The prior examination report indicated that the Company's Form B filings failed to disclose the Company's affiliated Common Stocks as required by CIC Section 1215.1(b)(3). It is again recommended that the Company clearly disclose its affiliated investments in their subsequent Form B filings pursuant to CIC Section 1215.1(b)(3).

(3) Losses and Loss Adjustment Expenses

Based on an analysis by a Casualty Actuary for the CDI, the Company's December 31, 2008, reserves for losses and loss adjustment expenses were determined to be reasonably stated.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Management Agreements – Flood Insurance Full Service Vendor Agreement (Page 5): It is recommended that the Company seek prior approval from the California Department of Insurance (CDI) prior to the execution of any agreements in accordance with California Insurance Code (CIC) Section 1215.5(b)(4). It is also recommended that the Company disclose all agreements in their Form B filings pursuant to CIC Section 1215.4(b).

Management Agreements – Tax Sharing Agreement (Page 7): It is recommended that the Company develop procedures to maintain the appropriate records to ensure the correct information is disclosed in its Form B filing pursuant to CIC Section 1215.4(b).

Territory and Plan of Operation (Page 8): It is recommended that the Company outline the terms and conditions of the transfer of the flood business in a written agreement to comply with CIC Section 1215.5 and submit for approval. It is also recommended that the Company maintain the appropriate records to ensure that the required information is disclosed in its Form B filing pursuant to CIC Section 1215.4 (b).

Reinsurance – Assumed (Page 9): It is recommended that the Company disclose the 100% quota share reinsurance agreement with FNPAC in their subsequent Form B filings pursuant to CIC Section 1215.4 (b).

Reinsurance-Ceded (Page 10): It is recommended that the facultative quota share reinsurance agreement be amended to include an acceptable insolvency clause as required by California Code of Regulations, Title 10 Section 2303.13.

Comments on Financial Statement Items – Bonds and Short Term Investments (Page 16): It is recommended the Company revise its Custodial Agreement with The Bank of New York Trust Company to include the provisions recommended by the NAIC Financial Condition Examiners Handbook. It is also recommended the Company submit the revised Custodial Agreement with The Bank of New York Trust Company to the CDI for approval pursuant to CIC Section 1104.9(c).

Comments on Financial Statement Items – Common Stocks (Page 16): It is again recommended that the Company clearly disclose its affiliated investments in their subsequent Form B filings pursuant to CIC Section 1215.1(b)(3).

Previous Report of Examination

Management Agreements (Page 5): The General Agency Agreement was still under the name of Anza Insurance Company. It was recommended that the Company amend the agreement to properly reflect the name of the Company. The Company has complied with this recommendation. .

Management Agreements (Page 6): The Company failed to file and seek prior approval from the California Department of Insurance (CDI) for the Flood Insurance Full Service Vendor Agreement as required by CIC Section 1215.5(b)(4). It was recommended that the Company file the agreement with the CDI as required by CIC Section 1215.5(b)(4). The Company has complied with this recommendation.

Reinsurance - Assumed (Page 9): The Company failed to file and seek prior approval from the CDI for the Affiliate Reinsurance Agreements for its reinsurance assumed from Fidelity National Property and Casualty Insurance Company (FNPAC) and Fidelity National Indemnity Insurance Company (FNIIC) as required by CIC Section 1215.5(b)(3). It was recommended that the Company file its assumed reinsurance agreements with the CDI as required by CIC Section 1215.5(b)(3). The Company has complied with this recommendation.

Comments on Financial Statement Items - Stocks: Common Stocks (Page 15): The Company's Annual Holding Company Registration Statement (Form B) filings failed to disclose the Company's affiliated Common Stocks as required by CIC Section 1215.1(b)(3). It was recommended that pursuant to CIC Section 1215.1(b)(3), in the future when affiliated investments reach such levels that the Company clearly disclose this in their subsequent Form B filings. The Company has not complied with is recommendation.

Comments on Financial Statement Items - Cash, Cash Equivalents and Short-Term Investments (Page 15): The Company maintained the majority of its short-term investments in Blackrock Provident Institutional Funds (Blackrock). Blackrock, located in Delaware, was not a qualified custodian or sub-custodian as defined under CIC Section 1104.9. It was recommended that the Company maintain its assets in the State of California under CIC Section 1104.9. The Company has complied with this recommendation.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the Company's officers and parent company's employees during the course of this examination are hereby acknowledged.

Respectfully submitted,

/S/

Shawn Towchik, CFE
Examiner-In-Charge
Special Examiner
Department of Insurance
State of California