After full consideration and review of the report of the financial examination of Fidelity Security Assurance Company for the period ended December 31, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Fidelity Security Assurance Company as of December 31, 2021, be and is hereby ADOPTED as filed and for Fidelity Security Assurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 20th day of June, 2023.

Chlora Lindley-Myers, Director
Department of Commerce and Insurance
REPORT OF
FINANCIAL EXAMINATION OF

FIDELITY SECURITY ASSURANCE
COMPANY

AS OF
DECEMBER 31, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE
JEFFERSON CITY, MISSOURI
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Honorable Chlora Lindley-Myers, Director  
Missouri Department of Commerce and Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65101  

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

Fidelity Security Assurance Company (NAIC #17136)

hereinafter referred to as such, as FSAC, or as the Company. Its administrative office is located at 3130 Broadway Boulevard, Kansas City, Missouri 64111, telephone number 816-756-1060. The fieldwork for this examination began on July 7, 2022, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered
The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Fidelity Security Assurance Company. The current examination covers the period of October 28, 2021, through December 31, 2021, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report. This is the first financial examination for FSAC.

Procedures
We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook), except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes the identification and evaluation of significant risks that could cause the Company’s surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to FSAC included investments, reinsurance, underwriting, claims handling and reserving, related party, and capital and surplus. The examination also included a review and evaluation of information technology general controls.
This examination was conducted as part of a coordinated examination of the Fidelity Security Group (Group), which consists of two insurance companies domiciled in the state of Missouri and one insurance company domiciled in the state of New York. The Missouri Department of Commerce and Insurance is the lead-state regulator for the Group and acted as the exam facilitator for the examination, while regulators from the New York Department of Financial Services (DFS) participated. American Service Life Insurance Company (ASL), an insurance company domiciled in the state of Arkansas, was a member of the Fidelity Security Group until a transfer of ownership in August of 2016. While no longer a member of the Group, ASL still utilizes certain services and systems that are common to the Fidelity Security Group. As such, regulators from the Arkansas Insurance Department also participated in the coordinated examination. The other Missouri domiciled insurance company, Fidelity Security Life Insurance Company (FSL), was included in the coordinated examination.

This examination report includes significant findings of fact, as mentioned in Section 374.205 (Examination, director may conduct, when…) of the Revised Statutes of Missouri (RSMo) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS
There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General
Fidelity Security Assurance Company was issued a Certificate of Authority on October 28, 2021 and commenced business on November 1, 2021, as a stock property and casualty insurance company, in accordance with the provisions of Chapter 379 RSMo (Insurance Other Than Life). FSAC is a wholly-owned subsidiary of Fidelity Security Life Insurance Company and is ultimately controlled by Richard (Rick) Jones, Jr., Bradford (Brad) Jones, and Bryson (Bryce) Jones, as trustees of generation skipping trusts (GST) bearing each of their names.

Mergers, Acquisitions, and Major Corporate Events
There were no mergers, acquisitions or major corporate events during the examination period.

Dividends and Capital Contributions
There were no dividends paid during the examination period. The Company received a $5,000,000 contribution from its direct parent, Fidelity Security Life Insurance Company in 2021.

Surplus Notes
There were no surplus notes issued or outstanding during the examination period.
MANAGEMENT AND CONTROL

Board of Directors
The management of the Company is vested in a Board of Directors that are elected by the Shareholder(s) at each annual meeting. The Company’s Bylaws specify that the Board shall consist of at least nine, but no more than twenty-one Directors. The Board of Directors elected and serving as of December 31, 2021, were as follows:

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Principal Occupation and Business Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard F. Jones</td>
<td>President and Treasurer, FSL</td>
</tr>
<tr>
<td>Shawnee Mission, KS</td>
<td>Chairman of Board, FSAC</td>
</tr>
<tr>
<td>Bryson L. Jones</td>
<td>Executive Vice President, FSL</td>
</tr>
<tr>
<td>Shawnee Mission, KS</td>
<td></td>
</tr>
<tr>
<td>Randy L. Nordquist</td>
<td>Retired, Head of Business Management, Swiss Re</td>
</tr>
<tr>
<td>Bonner Springs, KS</td>
<td></td>
</tr>
<tr>
<td>Richard F. Jones, Jr.</td>
<td>Executive Vice President, FSL</td>
</tr>
<tr>
<td>Leawood, KS</td>
<td></td>
</tr>
<tr>
<td>Martha E. Madden</td>
<td>Senior Vice President, General Counsel, FSL</td>
</tr>
<tr>
<td>Prairie Village, KS</td>
<td>Vice President, Secretary, FSL</td>
</tr>
<tr>
<td>David M. Harrison</td>
<td>President, Van Trust Real Estate, LLC</td>
</tr>
<tr>
<td>Prairie Village, KS</td>
<td></td>
</tr>
<tr>
<td>Bradford R. Jones</td>
<td>Executive Vice President, Secretary, FSL</td>
</tr>
<tr>
<td>Lake Quivira, KS</td>
<td>President, FSAC</td>
</tr>
<tr>
<td>William R. Hobbs</td>
<td>Retired Vice President and Controller, FSL</td>
</tr>
<tr>
<td>Overland Park, KS</td>
<td></td>
</tr>
<tr>
<td>Peter de Silva</td>
<td>Retired President, TD Ameritrade</td>
</tr>
<tr>
<td>Ladue, MO</td>
<td></td>
</tr>
</tbody>
</table>

Senior Officers
Pursuant to the Company’s Bylaws, the officers of the corporation shall consist of a President, one or more Vice Presidents (one of whom may be designated as the Senior Vice President), a Secretary, and a Treasurer. The Board of Directors may also elect a Chairman of the Board, Assistant Secretaries, and Assistant Treasurers, as deemed necessary. The officers elected and serving, as of December 31, 2021, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Office</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bradford R. Jones</td>
<td>President</td>
</tr>
<tr>
<td>Martha E. Madden</td>
<td>Vice President, Secretary</td>
</tr>
<tr>
<td>Peter A. Lindquist</td>
<td>Vice President, Treasurer</td>
</tr>
</tbody>
</table>

Principal Committees
The Bylaws allow for the appointment of an Executive Committee, an Audit Committee, and other committees as deemed appropriate by the Board of Directors. Each committee shall be comprised of three or more directors. As of the date of this report, FSAC has not established any Board committees.
Corporate Records
The Company’s Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the Board of Directors were also reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates
FSAC is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). The Fidelity Security Group is ultimately controlled by three family generation-skipping trusts (GST), as outlined below:

1. Richard F. Jones, Jr. (Rick) and Steven Krueger, co-trustees of the Richard and Sandra Jones Family GST for Richard F. Jones Jr.
2. Bradford R. Jones (Brad) and Steven Krueger, co-trustees of the Richard and Sandra Jones Family GST for Bradford R. Jones.
3. Bryson L. Jones, (Bryce) and Steven Krueger, co-trustees of the Richard and Sandra Jones Family GST for Bryson L. Jones.

The Group’s organization structure consist of seven legal entities, four of which are insurance companies, as follows: Fidelity Security Life Insurance Company (NAIC #71870), and its wholly owned subsidiaries, Fidelity Security Life Insurance Company of New York (FSLNY, NAIC #67288) and Fidelity Security Assurance Company, as well as Fidelity Security Re, an affiliated reinsurer licensed in the Cayman Islands. The other three affiliated non-insurance entities are described below:

- Forrest T. Jones & Company, Inc. (FTJ): a Missouri corporation, licensed as a third-party administrator and insurance agency.
- Forrest T. Jones Consulting Company (FTJCC): a Missouri corporation, licensed as a third-party administrator and insurance agency.
- National Pension & Group Consultants, Inc. (NPGC): a District of Columbia corporation qualified and licensed by FINRA to sell insurance and annuities.

American Service Life Insurance Company (NAIC #76201) is a stock life insurance company that is wholly owned by Dick Jones and is domiciled in the state of Arkansas. ASL is considered a related party due to common control and IT operations, even though it is no longer an affiliate and part of the holding company structure.
Organizational Chart
The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2021. All subsidiaries show are wholly owned unless otherwise noted.

Intercompany Transactions
The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2021. A brief description of these agreements are as follows:

Investment Services Agreement: Effective November 1, 2021, the Company entered into an investment agreement with its direct parent, FSL. Under the terms of the agreement, FSL provides investment management services to FSAC in accordance with its Investment Policies.

Services Agreement: FSAC and affiliate FTJ entered into a Services Agreement, with an effective date of November 1, 2021. According to this agreement, FTJ agrees to provide to FSAC the use of employees, facilities, and other operational and administrative functions.

Confidentiality Agreement: Under the terms of the Confidentiality Agreement, FTJ agrees to protect, safeguard, and maintain confidentiality of confidential information. This agreement was effective October 1, 2021.

TERRITORY AND PLAN OF OPERATION
FSAC is licensed by the Department to write property and casualty business in the state of Missouri under Chapter 379 RSMo (Insurance Other Than Life). FSAC is authorized to write the following product lines: Property, Liability (including Workers’ Compensation), Fidelity and Surety, Accident and Health and Miscellaneous. As of the date of this report, the Company has been licensed in an additional fifteen states and the District of Columbia.

FSAC’s initial business plan is to assume professional liability business under a quota share retrocession agreement with affiliate Fidelity Security Re, while the Company focuses on attaining licensure in other states. As FSAC works to meet the seasoning and authority requirements to write business in other states, the Company initially plans to directly write professional liability business.

GROWTH OF COMPANY AND LOSS EXPERIENCE
FSAC did not write any direct business during the exam period or subsequently in 2022. FSAC’s underwriting activity for the exam period consisted entirely of the assumed professional liability business as noted above.
REINSURANCE

General
FSAC entered into a quota share retrocession agreement with Fidelity Security Re with an effective date of November 1, 2021. Under the terms of the agreement, FSAC assumes from Fidelity Security Re, on a quota share basis, net ceded premiums and associated liabilities on business assumed by Fidelity Security Re under a professional liability quota share agreement with the direct writer of the business, Trisura Specialty Insurance Company. FSAC reinsures 25% in 2021, 35% in 2022, and 40% in 2023. The Company did not cede any premiums during the period under examination.

ACCOUNTS AND RECORDS

Independent Auditor
The Company is not subject to independent financial audits until its premium exceeds $1 million. On December 9, 2021, the Department approved an exemption to FSAC from filing the Audited Financial Statement, including the related filings of the Accountants Letter of Qualifications and Communication of Internal Control Related Matters, for the year ending December 31, 2021.

Actuarial Opinion
No Actuarial Opinion issued for FSAC during the exam period. Pursuant to CSR 200-1.105, the Department approved an exemption to FSAC from filing the Actuarial Opinion, Actuarial Opinion Summary and Reinsurance Attestation Supplement, for the year ending December 31, 2021.

Consulting Actuary
Due to the lack of business during the examination period, the Department did not engage a consulting actuary.

Information Systems
Department IT Examiner-in-Charge Kim Dobbs, CFE, AES, CISA performed a review of the Company’s information systems.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Fidelity Security Assurance Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the “Comments on Financial Statement Items.” These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.
### ASSETS
As of December 31, 2021

<table>
<thead>
<tr>
<th></th>
<th>Assets</th>
<th>Nonadmitted Assets</th>
<th>Net Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$4,744,260</td>
<td>-</td>
<td>$4,744,260</td>
</tr>
<tr>
<td>Cash, Cash Equivalents, and Short-Term Investments</td>
<td>256,909</td>
<td>-</td>
<td>256,909</td>
</tr>
<tr>
<td>Investment Income Due and Accrued</td>
<td>4,059</td>
<td>-</td>
<td>4,059</td>
</tr>
<tr>
<td>Reinsurance: Other Amounts Receivable Under Reinsurance Contracts</td>
<td>36,846</td>
<td>-</td>
<td>36,846</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$5,042,074</td>
<td>-</td>
<td>$5,042,074</td>
</tr>
</tbody>
</table>

### LIABILITIES, SURPLUS AND OTHER FUNDS
As of December 31, 2021

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses</td>
<td>$11,222</td>
</tr>
<tr>
<td>Loss Adjustment Expenses</td>
<td>3,741</td>
</tr>
<tr>
<td>Current Federal and Foreign Income Taxes</td>
<td>4,465</td>
</tr>
<tr>
<td>Net Deferred Tax Liability</td>
<td>306</td>
</tr>
<tr>
<td>Payable to Parent, Subsidiaries, and Affiliates</td>
<td>4,392</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$24,126</td>
</tr>
<tr>
<td>Common Capital Stock</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Gross Paid In and Contributed Surplus</td>
<td>3,800,000</td>
</tr>
<tr>
<td>Unassigned Funds (Surplus)</td>
<td>17,948</td>
</tr>
<tr>
<td><strong>TOTAL CAPITAL AND SURPLUS</strong></td>
<td>$5,017,948</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND SURPLUS</strong></td>
<td>$5,042,074</td>
</tr>
</tbody>
</table>
STATEMENT OF INCOME
For the Year Ended December 31, 2021

Premiums Earned $ 75,405

DEDUCTIONS:
Losses Incurred 11,222
Loss Adjustment Expenses Incurred 11,084
Other Underwriting Expenses Incurred 37,065
Total Underwriting Deductions $ 59,371

Net Underwriting Gain (Loss) $ 16,034

Net Investment Income Earned 6,685

Net Investment Gain (Loss) $ 6,685

Federal and Foreign Income Taxes Incurred 4,465

NET INCOME (LOSS) $ 18,254

CAPITAL AND SURPLUS ACCOUNT
For the Year Ended December 31, 2021

Capital and Surplus, Beginning of Year $ -
Net Income (Loss) 18,254
Change in Net Deferred Income Tax (306)
Capital Changes:
Paid In 1,200,000
Surplus Adjustments:
Paid In 3,800,000
Capital & Surplus, End of Year $ 5,017,948
COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

In first quarter 2023, FSL provided $10.1 million in additional capital and surplus funding to the Company.

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Fidelity Security Assurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kim Dobbs, CFE, AES, CISA, Alicia Galm, CFE, Kelly Pfefferkorn, CPA, APIR, and Jessica Jones, APIR, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri
County of Cole

) ss

I, Ronald Musopole, CFE, CIA, MBA, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of Fidelity Security Assurance Company, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Ronald Musopole, CFE, CIA, MBA
Examiner-In-Charge
Missouri Department of Commerce and Insurance

Sworn to and subscribed before me this ___ day of June, 2023.

My commission expires: May 18, 2024

Kimberly Sanders
Notary Public

KIMBERLY LANDERS
My Commission Expires
May 18, 2024
Callaway County
Commission #12558402
SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.

Sara McNeely, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and Insurance