

MANAGEMENT

Since December 31, 1980, financial control has been held by F&D Holding Corporation, an intermediate holding company which, prior to April 1993, was ultimately owned jointly by the Swiss Reinsurance Company (through Swiss Re Holding Company of North America, Inc.) and Zurich Insurance Company (through Maryland Casualty Company) both of Zurich, Switzerland. In April 1993, Maryland Casualty Company purchased the 50% interest of F&D Holding Company owned by Swiss Re Holding Company of North America, Inc. to increase Zurich's ownership to 100%. On June 30, 1993, F&D Holding Company was dissolved pursuant to Delaware law and its assets distributed to its sole stockholder, Maryland Casualty Company.

The affairs of the company are managed by executives long experienced in the bonding business. The organization is one of the larger fidelity and surety underwriters in the United States. Also under the same general management is the wholly owned subsidiary, Colonial American Casualty and Surety Company, which was formed in May 1977 under the name Fidelity and Deposit Company.

OFFICERS

President and chief executive officer, Richard F. Williams; executive vice presidents, Thomas B. Bosley, Richard F. Yeazel; senior vice president and treasurer, Joseph J. Gallagher; senior vice presidents, Fred L. Borlets, Jr., Robert L. Lawrence; Annette Metz; vice president, secretary and general counsel, James I. Keenan, Jr.; vice presidents, Mary Jeanne Anderson, James A. Black, Jr., Salvatore V. Fazio, Jr., Susan B. Gerberich, Gerald F. Haley, J. Gregory Hamilton, Glen J. Heckathorn, Stephen Henderson, John J. Markotic, Jimo L. Massone, Charles M. Pecot, Angela E. Taylor, Wayne B. Walbrecher; controller, Wayne A. Stollmaier.

DIRECTORS

Loren J. Alter, William H. Bolinder, Thomas B. Bosley, Joseph J. Gallagher, James I. Keenan, Jr., Robert L. Lawrence, Annette Metz, Richard F. Williams, Richard F. Yeazel.

TERRITORY

The company is licensed in DC, Guam, Puerto Rico, Virgin Islands and all states.

Balance Sheet Admitted Assets (\$'000)

Bonds	12131/96	%
Common stock	\$347,348	46.5
Cash & short-term invest.	166,777	22.3
Investments in affiliates	103,427	13.9
Real estate, offices	53,764	7.2
	2,895	0.4
Total invested assets	\$674,210	90.3
Premium balances	30,154	4.0
Accrued interest	6,002	0.8
All other assets	36,188	4.8
Total assets	\$746,554	100.0
Liabilities & Surplus (\$'000)		
Loss & LAE reserves	\$280,578	34.9
Unearned premiums	152,180	20.4
Conditional reserve funds	944	0.1
All other liabilities	42,148	5.6
Total liabilities	\$455,849	61.1
Capital & assigned surplus	39,842	5.3
Unassigned surplus	250,862	33.6
Total policyholders' surplus	\$290,704	38.9
Total liabilities & surplus	\$746,554	100.0

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The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

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E1080-97 Printed July 16, 1997

BEST

RATING RE

The

F&D

Company

FIDELITY AND DEPOSIT CO
MARYLAND

Baltimore, MD

BEST'S RATING: A (EXC)



The Insurance Information Source
<http://www.ambest.com>

FIDELITY AND DEPOSIT COMPANY

OF MARYLAND

(Zurich Insurance Group—United States)
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Baltimore, MD 21202

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Tel: 410-539-0800 Fax: 410-539-7002 AMB#: 00387

CURRENT RATING

Based on our current opinion of the consolidated financial condition and operating performance of the company and its insurance subsidiaries, the company is assigned a Best's Rating of A (Excellent).

RATING RATIONALE

The following text is derived from the report of Fidelity & Deposit Group.
Current Rating Rationale: The rating applies to Fidelity and Deposit Company of Maryland and its reinsured affiliate, and is based on its consolidation with a separately rated subsidiary, Maryland Netherlands Credit Insurance Company. The rating reflects the group's strong capitalization, steady improvement in operating performance and leadership position in the contract surety and financial institution fidelity markets. In addition, the rating acknowledges the strength of its ultimate parent, Zurich Insurance Company, Switzerland. Management tightened underwriting guidelines and improved efficiency in recent years, allowing for improved underwriting results. Further, F&D continues its product diversification efforts, currently offering a wide variety of property and casualty coverages in addition to its core fidelity and surety business. Given its improved operating performance, strong capitalization, and leading market position, Fidelity & Deposit's rating outlook is stable.

Partially offsetting these strengths are the group's historically lackluster underwriting performance. In addition, the group maintains a relatively high level of common stock assets, representing nearly one-quarter of invested assets.

KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Operating Income	Total Assets	Admitted Surplus	Policyholders' Surplus	Combined Ratio
1992	213,102	1,668	564,838	241,252	110.4	106.2
1993	233,824	2,480	607,725	237,348	105.3	102.7
1994	232,566	10,513	617,192	224,737	105.3	102.7
1995	234,441	23,525	691,379	264,581	102.7	97.8
1996	263,075	31,583	746,554	290,704	97.8	

BUSINESS REVIEW

The following text is derived from the report of Fidelity & Deposit Group.
The Fidelity and Deposit Group, led by Fidelity and Deposit Company of Maryland, offers specialized bonding and insurance products through independent agents and brokers. Since 1980, the Fidelity and Deposit Company has been regarded as one of the nation's pioneer bonding companies and has consistently occupied a leading position in this field. Fidelity and Deposit Company was the first company to be approved as surety on bonds required by the federal government, the first to underwrite bonds of public officials and the first to operate on a national scale. Operations are organized into three strategic business units (SBU): surety, financial services and credit insurance. The surety SBU, generating approximately 50% of the group's gross premium volume, underwrites bid, performance and payment bonds for contractors, subcontractors and suppliers as well as a wide range of license, permit, and miscellaneous bonds for contractors and others. The group also underwrites court, fiduciary and public official bonds. Business is produced by independent agents and brokers through the group's 32 offices nationwide.

1996 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	Direct Premiums Written		Net Premiums Written		NPW	% Pure	Loss Ratio	LAE Res.
	Written	Net	Written	Net				
Surety	150,496	115,086	43.7	11.9	69,987	45.5	40,085	58.81
Fidelity	46,927	43,856	16.7	7.1	31,208	76.4	4,300	5.81
Corn'l Multihentl.	28,055	31,208	11.9	42.4	4,300	7.1	18,633	4.00
Inland Marine	23,104	18,633	7.1	42.4	4,300	7.1	18,633	4.00
All Other	76,028	54,290	20.7	20.7	90,226	20.7	90,226	20.7
Totals	324,610	263,075	100.0	32.9	260,578			

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The financial services division, representing approximately 45% of the group's gross premium volume, specializes in fidelity bonds, directors & officers liability, and property/casualty coverages for banks, savings institutions and other financial services firms. The group also writes commercial crime coverages, as well as mercantile and government fidelity bonds for a wide range of private and public entities. Thirty-two insurance centers, organized into eight regions, support the group's distribution of these products through independent agents and brokers.

The credit insurance division, representing the remaining 5% of gross premium volume, handles the company's emerging segment: insurance products to cover loss or insolvency on accounts receivable for domestic and export risks. Operations are conducted through Fidelity and Deposit Company of Maryland as well as the Maryland Netherlands Credit Insurance Company (MNCIC). MNCIC is owned 51% by the Fidelity and Deposit Group and 49% by NCM, a leading worldwide credit insurance company based in Amsterdam. In partnership with NCM, F&D is now offering domestic and export credit insurance underwritten and distributed by MNCIC. The relationship between F&D and NCM enables MNCIC to offer credit insurance as a truly global product with coverage spanning seven continents and 126 countries.

Standard policy forms are used for fidelity, surety, forgery, burglary, glass, inland marine, liability and commercial multiple peril coverages. Many bond forms, especially in the contract, judicial and public official business, are prescribed by the statutes of the various states in which bonds are filed. Specialty coverages, in addition to standard forms, include directors and officers liability, fiduciary responsibility and trust department errors and omissions coverage, forced place and forced closed property coverages, and credit insurance.

In recent years, Fidelity & Deposit was the lead surety for Morrison Knudsen Corporation, which serves the world's environmental, industrial process, mining, operations and maintenance, power transportation and heavy construction markets as an engineer and contractor. Morrison Knudsen had struggled to avoid bankruptcy since 1995 following a failed business venture. The extent of loss to Fidelity & Deposit had been uncertain during this period. In May 1996, Morrison Knudsen Corporation agreed to be acquired by Washington Construction Group.

Inc. Morrison Knudsen continued with for-equity swap and a pre-packaged which will leave its shareholders who stock, but will appease Morrison Knudsen fee the company from its sizeable debt and Deposit's loss from Morrison Knudsen \$2 million. Management has been the ing guidelines so as to limit F&D's single source to more manageable leveling co-sureties and limiting exposure. Currently, nearly 95% of F&D's insured less than \$29,070,000 (or \$27.1 million) surety is unnecessary.

During 1996, F&D focused on solutions for defined customer group product development efforts managed reengineered work processes. Implement and efficiency improvements also cost advancement of efforts to control loss an information strategy plan was coming. The Fidelity and Deposit Group is ing operation of the Zurich Insurance ly ranks in the top 10 surety and fidelity U.S.

Affiliations: American Insurance Association, International Association of Executives and Surety Association of A

HISTORY

The origin of the company, as now back to February 15, 1890 when it was the laws of Maryland as the Fidelity Company of Baltimore City with auto banking and trust business. Later that y ter was amended to permit the writing ty bonds, the name was changed to F Company of Maryland. Banking an were discontinued in 1905, at which ness was transferred to The Fidelity Business of the Fidelity and Depo Maryland has since been confined to bonds and insurance.

Paid-in capital of \$5 million 2,000,000 shares of common stock each, all of which were issued and d end.