

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Midwestern Equity Title Insurance Company)
11 Motif Boulevard)
Brownsville, Indiana 46112)

Examination of: **Midwestern Equity Title Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Midwestern Equity Title Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on April 22, 2022, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Midwestern Equity Title Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

6/16/2022
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 6697

STATE OF INDIANA) BEFORE THE INDIANA
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
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Midwestern Equity Title Insurance Company)
11 Motif Boulevard)
Brownsville, Indiana 46112)

Examination of: **Midwestern Equity Title Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Midwestern Equity Title Insurance Company (hereinafter “Company”) for the time period January 1, 2016 through December 31, 2020.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on February 25, 2022.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on April 22, 2022 and was received by the Company on April 26, 2022.

The Company did not file any objections.

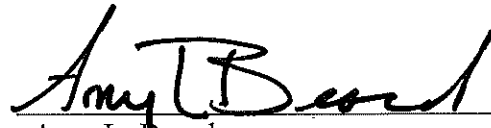
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Midwestern Equity Title Insurance Company as of December 31, 2020.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Midwestern Equity Title Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 16 day of
June, 2022.



Amy L. Beard
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

MIDWESTERN EQUITY TITLE INSURANCE COMPANY
NAIC COMPANY CODE 10282

As of
December 31, 2020

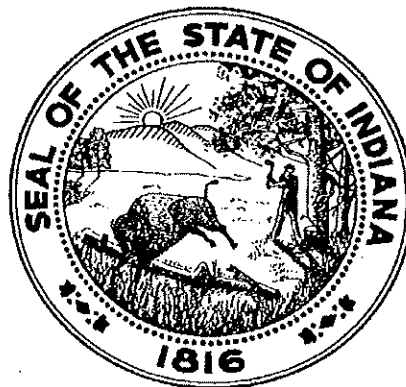


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

February 25, 2022

Honorable Amy L. Beard
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4085, an examination has been made of the affairs and financial condition of:

**Midwestern Equity Title Insurance Company
11 Motif Boulevard
Brownsburg, Indiana 46112**

an Indiana domestic property and casualty insurance company, hereinafter referred to as the "Company." The examination was conducted at the main administrative offices of the Company located at 11 Motif Boulevard, Brownsburg, Indiana 46112.

The Report of Examination, showing the status of the Company as of December 31, 2020, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2015. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2016 through December 31, 2020, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In accordance with the 2020 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company, and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, Thomas Consulting performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated on May 25, 2000 as a stock title insurance company and commenced business under the laws of the State of Indiana on December 1, 2000. In January of 2005, the Company received a new certificate of authority to operate as a full property and casualty insurance company with Class II and III authority.

CAPITAL AND SURPLUS

Pursuant to the Amended Articles of Incorporation, the capital stock authorized for the Company is 3,000 shares of stock with no par value. All issued and outstanding shares are held by Robert A. and Pamela G. Steele (57.5%) and Castleton Financial Reinsurance Company, Ltd. (Castleton) (42.5%). All outstanding shares are ultimately held by Robert A. and Pamela G. Steele, 100% owners of Castleton. As of December 31, 2020, the Company's total capital and surplus was \$3,877,902, which included: common capital stock of \$1,000,000, a surplus note (Note) of \$625,000, and unassigned funds (surplus) of \$2,252,902.

As of December 31, 2020, the Company had a Note issued to its affiliate, Castleton, with an outstanding principal balance of \$625,000 that matures on October 7, 2022. Under the terms of the Note, the Company makes annual interest payments to Castleton at a rate of 6.00%. During 2020, the Company paid \$37,500 of interest on the Note. The repayment of principal and interest on the Note is subject to the approval of the Indiana Insurance Commissioner pursuant to the provisions of IC 27-1-7-19.

DIVIDENDS TO STOCKHOLDERS

In 2019, the Company paid an ordinary dividend in the amount of \$100,000 to Castleton. There were no other dividends paid during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is licensed solely in Indiana. The Company wrote only title insurance during the examination period and has no immediate plans to expand into other lines of business. The Company became licensed as a full property and casualty insurer in order to write title insurance with a higher risk retention and to negotiate better reinsurance treaty rates. The Company's target market is conservative community banks that generally have stringent underwriting guidelines for home equity loans.

The Company utilizes only one (1) agency, its affiliate, Robert Steele Agency, Inc.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Net Earned Premium</u>	<u>Net Income (Loss)</u>
2020	\$4,526,331	\$ 648,431	\$3,877,902	\$ 86,325	\$ 102,908
2019	4,414,383	673,025	3,741,353	88,312	175,934
2018	4,010,884	609,153	3,401,732	60,624	94,201
2017	4,261,774	789,159	3,472,615	90,890	67,444
2016	3,959,318	708,400	3,250,918	91,151	91,772

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

The Company reported a profit in all years of the examination period. The higher net income reported in 2019 is primarily attributed to an increase in net realized capital gains during 2019.

MANAGEMENT AND CONTROL

Directors

The Company is governed by a Board of Directors (Board) consisting of five (5) members. The shareholders elect the members of the Board at their annual meetings. The following is a listing of persons serving as directors as of December 31, 2020:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Kelly A. Steele Hughes Indianapolis, Indiana	Employee Robert Steele Agency, Inc.
Gary L. Lewellen Carmel, Indiana	Retired
Pamela G. Steele Cloverdale, Indiana	Vice President Robert Steele Agency, Inc.

Robert A. Steele
Cloverdale, Indiana

Chief Executive Officer
Robert Steele Agency, Inc.

Ross A. Steele
Indianapolis, Indiana

Vice President
Robert Steele Agency, Inc.

Officers

The Company's Bylaws state that the Board shall elect a President, Secretary, and Treasurer. The Board may also elect one (1) or more Vice Presidents. One (1) person may hold and perform more than one (1) office. The following is a listing of key officers and their respective titles as of December 31, 2020:

<u>Name</u>	<u>Office</u>
Robert A. Steele	President
Pamela G. Steele	Secretary, Treasurer, and Vice President

CONFLICT OF INTEREST

The Company's conflict of interest disclosure process requires directors and officers to complete a conflict of interest disclosure statement on an annual basis. From a review of the directors and officers signed statements, there were no material conflicts of interest noted for the period under examination.

OATH OF OFFICE

IC 27-1-7-10 (i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. As of December 31, 2020, all directors had subscribed to an oath of office.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Company's Articles of Incorporation during the period under examination.

Bylaws

There were no amendments made to the Company's Bylaws during the period under examination.

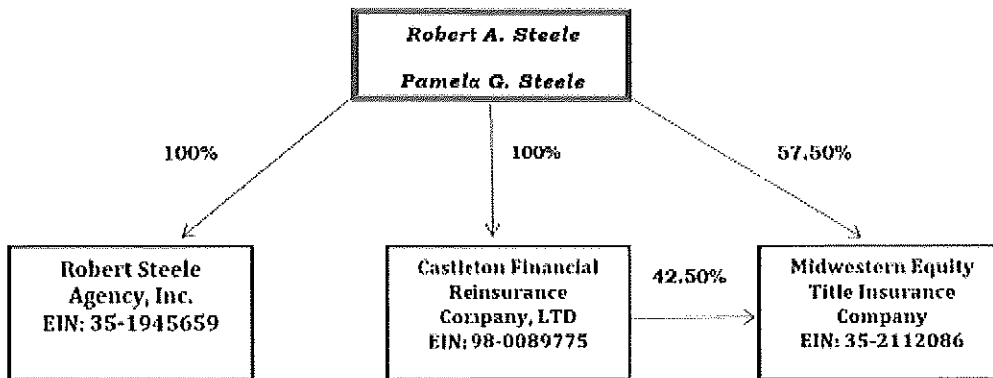
Minutes

The Board and Shareholders Meeting minutes were reviewed for the period under examination through the fieldwork completion date and significant actions taken during each meeting were noted. The Annual Meetings of the Shareholders were held in accordance with IC 27-1-7-7(b) and the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. An Insurance Holding Company System Registration Statement was filed annually with the INDOI for each year of the examination period. The following organizational chart depicts the Company's relationship within the holding company system:



Affiliated Agreements

The following affiliated agreement was disclosed as part of the Insurance Holding Company System Registration Statement and was filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4).

Management Agreement

Effective January 1, 2012, the Company entered into a Management Agreement with its affiliate, Robert Steele Agency, Inc., whereby Robert Steele Agency, Inc. agrees to provide management, marketing, and administrative services to the Company for a fixed fee of \$500 per month. During 2020, the Company incurred expenses of \$6,000 under this agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company is protected by a fidelity bond with a single and aggregate loss limit of \$50,100, and no deductible. The fidelity bond limit was adequate to meet the prescribed minimum coverage specified by the NAIC. Other various interests of the Company are protected by appropriate policies of insurance.

STATUTORY AND SPECIAL DEPOSITS

The Company reported a statutory deposit, held by INDOI for the benefit of all policyholders, with a book value of \$100,890 and a fair value of \$100,890. The deposit was comprised of a certificate of deposit.

REINSURANCE

Reinsurance Assumed

The Company did not assume reinsurance during the period under examination.

Reinsurance Ceded

Effective April 24, 2001, the Company entered into a Stop Loss Reinsurance Agreement with Ohio Indemnity Company (Reinsurer). Under the terms of the agreement, the Reinsurer agrees to reinsure and indemnify the Company for losses in excess of 50% of earned premiums in a calendar year. The Reinsurer's maximum liability is limited to a calendar year aggregate of not more than \$1,000,000 per reinsured policy.

RESERVES

The Company is exempt from filing an actuarial opinion pursuant to a waiver approved by INDOI in each of the years covered by this examination. As of December 31, 2020, the Company did not report any loss reserves or open title claims. The Company has established and maintains a Statutory Premium Reserve in accordance with the provisions of the NAIC *Accounting Practices & Procedures Manual*, Appendix A-628, as required for title insurers.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2020, was agreed to the Annual Statement without exception. There were no independent audit reports prepared for the period under examination as the Company qualified for, and obtained, a filing waiver from the INDOI.

Overall, Thomas Consulting determined the Company's accounting procedures, practices, and accounting records were satisfactory.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus, and Other Funds
Comparative Exhibit - Statutory Statement of Income
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

MIDWESTERN EQUITY TITLE INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2020

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Bonds	\$ 758,014	\$ -	\$ 758,014	\$ 854,667
Common stocks (Stocks)	3,437,743	-	3,437,743	3,356,579
Cash and short-term investments	<u>185,915</u>	<u>-</u>	<u>185,915</u>	<u>74,576</u>
Subtotals, cash and invested assets	<u>\$ 4,381,672</u>	<u>\$ -</u>	<u>\$ 4,381,672</u>	<u>\$ 4,285,822</u>
Investment income due and accrued	\$ 3,321	\$ -	\$ 3,321	\$ 764
Current federal and foreign income tax recoverable and interest thereon	16,911	-	16,911	-
Receivables from parent, subsidiaries and affiliates	3,515	-	3,515	1,335
Aggregate write-ins for other-than-invested assets	<u>120,912</u>	<u>-</u>	<u>120,912</u>	<u>126,462</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>\$ 4,526,331</u>	<u>\$ -</u>	<u>\$ 4,526,331</u>	<u>\$ 4,414,383</u>
Totals	<u>\$ 4,526,331</u>	<u>\$ -</u>	<u>\$ 4,526,331</u>	<u>\$ 4,414,383</u>

MIDWESTERN EQUITY TITLE INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus, and Other Funds

As of December 31, 2020

	<u>Per Annual Statement</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Other expenses (excluding taxes, licenses and fees)	\$ 78	\$ -	\$ 78	\$ 596
Taxes, licenses and fees (excluding federal and foreign income taxes)	2,593	-	2,593	2,744
Current federal and foreign income taxes	-	-	-	14,618
Net deferred tax liability	251,080	-	251,080	242,138
Unearned premiums	392,717	-	392,717	409,367
Ceded reinsurance premiums payable (net of ceding commissions)	1,463	-	1,463	3,562
Payable to parent, subsidiaries and affiliates	500	-	500	-
Total liabilities	<u>\$ 648,431</u>	<u>\$ -</u>	<u>\$ 648,431</u>	<u>\$ 673,025</u>
Common capital stock	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 1,000,000
Surplus notes	625,000	-	625,000	625,000
Unassigned funds (surplus)	2,252,902	-	2,252,902	2,116,353
Surplus as regards policyholders	<u>\$ 3,877,902</u>	<u>\$ -</u>	<u>\$ 3,877,902</u>	<u>\$ 3,741,353</u>
Totals	<u>\$ 4,526,333</u>	<u>\$ -</u>	<u>\$ 4,526,333</u>	<u>\$ 4,414,378</u>

MIDWESTERN EQUITY TITLE INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2020

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Underwriting Income				
Premiums earned	\$ 86,325	\$ -	\$ 86,325	\$ 88,312
Deductions				
Other underwriting expenses incurred	<u>36,487</u>	<u>-</u>	<u>36,487</u>	<u>40,028</u>
Total underwriting deductions	<u>\$ 36,487</u>	<u>\$ -</u>	<u>\$ 36,487</u>	<u>\$ 40,028</u>
Net underwriting gain or (loss)	<u>\$ 49,838</u>	<u>\$ -</u>	<u>\$ 49,838</u>	<u>\$ 48,284</u>
Investment Income				
Net investment income earned	\$ 35,524	\$ -	\$ 35,524	\$ 40,193
Net realized capital gains (losses) less capital gains tax	<u>20,158</u>	<u>-</u>	<u>20,158</u>	<u>90,460</u>
Net investment gain (loss)	<u>\$ 55,682</u>	<u>\$ -</u>	<u>\$ 55,682</u>	<u>\$ 130,653</u>
Net income, after capital gains tax and before all other federal income taxes	\$ 105,520	\$ -	\$ 105,520	\$ 178,937
Federal and foreign income taxes incurred	<u>2,612</u>	<u>-</u>	<u>2,612</u>	<u>3,003</u>
Net income	<u>\$ 102,908</u>	<u>\$ -</u>	<u>\$ 102,908</u>	<u>\$ 175,934</u>

MIDWESTERN EQUITY TITLE INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Capital and Surplus Account					
Surplus as regards policyholders, December 31 prior year	<u>\$ 3,741,353</u>	<u>\$ 3,401,732</u>	<u>\$ 3,472,615</u>	<u>\$ 3,250,918</u>	<u>\$ 2,909,260</u>
Net income	\$ 102,908	\$ 175,934	\$ 94,201	\$ 67,444	\$ 91,772
Change in net unrealized capital gains (losses) less capital gains tax	42,582	460,363	(305,385)	198,660	324,886
Change in net deferred income tax	(8,942)	(96,676)	140,301	(44,407)	-
Change in surplus notes	-	(100,000)	-	-	(75,000)
Dividends to stockholders	-	(100,000)	-	-	-
Change in surplus as regards policyholders for the year	<u>\$ 136,548</u>	<u>\$ 339,621</u>	<u>\$ (70,883)</u>	<u>\$ 221,697</u>	<u>\$ 341,658</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 3,877,902</u>	<u>\$ 3,741,353</u>	<u>\$ 3,401,732</u>	<u>\$ 3,472,615</u>	<u>\$ 3,250,918</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2020, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

There were no significant findings noted as a result of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in this Report of Examination.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, Thomas Consulting obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to Thomas Consulting.


AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **Midwestern Equity Title Insurance Company** as of **December 31, 2020**.

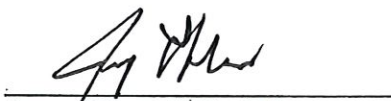
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2020 NAIC *Financial Condition Examiners Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of the **Midwestern Equity Title Insurance Company** as of **December 31, 2020**, as determined by the undersigned.



D. Patrick Huth, CFE
The Thomas Consulting Group, Inc.

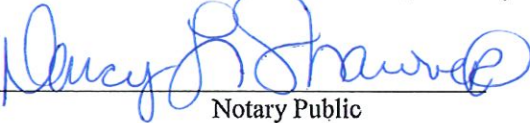


Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

State of:
County of:

On this 31st day of May, 2022, before me personally appeared, D. Patrick Huth and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires October 4, 2025 

Notary Public

DARCY L. SHAWVER
NOTARY PUBLIC
SEAL
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 708083

