

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 )  
Brownsburg, Indiana 46112-1017 )

Examination of **Midwestern Equity Title Insurance Company**

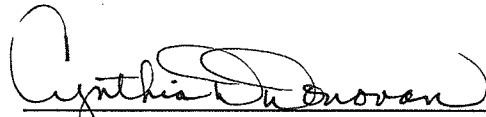
**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Stephen W. Robertson, 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 December 6, 2011, 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.

January 9, 2012  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4443 9049**

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11 Motif Boulevard )  
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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, 2006 through December 31, 2010.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on November 14, 2011.

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 December 6, 2011 and was received by the Company on December 9, 2011.

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, 2010.
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 and Sealed this 9<sup>th</sup> day of January, 2012.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

**STATE OF INDIANA**

**Department of Insurance**

**REPORT OF EXAMINATION**

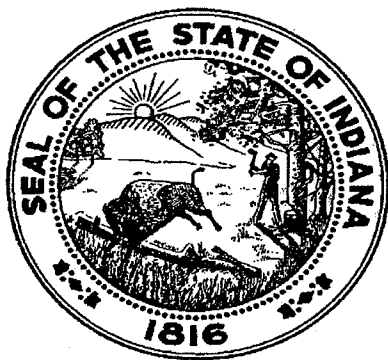
**OF**

**MIDWESTERN EQUITY TITLE INSURANCE COMPANY**

NAIC Co. CODE 10282

As of

December 31, 2010



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# STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

# IDOI

## INDIANA DEPARTMENT OF INSURANCE

311 W. WASHINGTON STREET, SUITE 300  
INDIANAPOLIS, INDIANA 46204-2787  
TELEPHONE: (317) 232-2385  
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

November 14, 2011

Honorable Joseph Torti, III  
Chair, NAIC Financial Condition (E) Committee  
Superintendent, State of Rhode Island  
Department of Business Regulation  
Division of Insurance  
1511 Pontiac Avenue, Building 69-2  
Cranston, Rhode Island 02920-4407

Honorable Stephen W. Robertson, Commissioner  
Indiana Department of Insurance  
Secretary, Midwestern Zone  
311 W. Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Superintendent and Commissioner:

Pursuant to the authority vested in Appointment Number 3679, an examination has been made of the affairs and financial condition of:

**Midwestern Equity Title Insurance Company**  
**11 Motif Boulevard**  
**Brownsburg, Indiana 46112-1017**

hereinafter referred to as the "Company" or "METIC", an Indiana domestic stock insurance company. The examination was conducted at the corporate office of Noble Consulting Services, Inc. in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2010, is hereby respectfully submitted.

ACCREDITED BY THE  
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
(317) 232-2413

COMPANY COMPLIANCE  
(317) 233-0697

CONSUMER SERVICES  
(317) 232-2395  
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES  
(317) 232-2390

MEDICAL MALPRACTICE  
(317) 232-2402

SECURITIES / COMPANY RECORDS  
(317) 232-1991

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2005. The present risk-focused examination covered the period from January 1, 2006, through December 31, 2010, and was conducted by Noble Consulting Services, Inc.

Actuarial specialists were not considered necessary in support of examination objectives due to the limited operations of the Company and that the sole line of business written is title insurance. It was verified that limited loss or claims related activity had occurred during or subsequent to the exam period.

We conducted our risk-focused examination pursuant to and in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, 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, 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.

## HISTORY

METIC 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

The Company is authorized to issue 3,000 shares of common stock with no par value. All outstanding shares are held by Robert A. and Pamela G. Steele (57.5%) and Castleton Financial Reinsurance Company (Castleton) (42.5%). All outstanding shares are ultimately held by Robert A. and Pamela G. Steele, 100% owner of Castleton. No dividends were paid to shareholders during the examination period.

## TERRITORY AND PLAN OF OPERATION

METIC is licensed solely in the State of 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. METIC's target market is the conservative community bank that generally has stringent underwriting guidelines for home equity loans.

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

## GROWTH OF THE COMPANY

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

| <u>Year</u> | <u>Admitted<br/>Assets</u> | <u>Liabilities</u> | <u>Surplus</u> | <u>Premiums<br/>Earned</u> | <u>Net Income<br/>(Loss)</u> |
|-------------|----------------------------|--------------------|----------------|----------------------------|------------------------------|
| 2010        | \$ 2,950,188               | \$ 540,816         | \$ 2,409,372   | \$ 145,350                 | \$ 107,837                   |
| 2009        | 2,730,936                  | 567,282            | 2,163,655      | 155,499                    | 116,652                      |
| 2008        | 3,019,257                  | 577,370            | 2,441,885      | 152,499                    | 141,531                      |
| 2007        | 2,859,950                  | 552,506            | 2,307,444      | 158,194                    | 159,592                      |
| 2006        | 2,754,126                  | 505,935            | 2,248,191      | 117,535                    | 124,436                      |

Over the course of the examination period, the Company has experienced overall organic growth. While 2008 credit market conditions resulted in fluctuations within the financial categories presented above, the Company's specialty niche related to the sale of second (home equity) mortgage title insurance, as well as the Company's methodology for recognizing earned premiums, muted the effect. As the economy recovers, the Company appears to be well positioned to profitably grow for the foreseeable future.

## MANAGEMENT AND CONTROL

### Directors

METIC is governed by a Board of Directors consisting of five (5) members. The shareholders, at their annual meeting, elect the members of the Board. The following is a listing of persons serving as directors as of December 31, 2010:

| <u>Name and Address</u>                | <u>Principal Occupation</u>                  |
|--|--|
| Robert A. Steele<br>Pittsboro, Indiana | President<br>Robert Steele Agency, Inc.      |
| Pamela G. Steele<br>Pittsboro, Indiana | Vice President<br>Robert Steele Agency, Inc. |
| Gary L. Lewellen<br>Castleton, Indiana | Management Engineer<br>Indiana Orthopedic    |
| Ross A. Steele<br>Pittsboro, Indiana   | Employee<br>Steel Dynamics, Inc.             |
| Kelly A. Steele<br>Pittsboro, Indiana  | Employee<br>Community North Hospital         |



## Officers

The Company's Bylaws state the Board shall elect a President, Secretary, and Treasurer. The Board may elect one (1) or more Vice Presidents necessary to conduct the business of the Company. The following is a listing of key officers and their respective titles as of December 31, 2010:

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

## CONFLICT OF INTEREST

The Company requires officers and directors to review and sign Conflict of Interest statements on an annual basis. The officers and directors have reviewed and signed their statements as of December 31, 2010.

## OATH OF OFFICE

Indiana Code 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, 2010, all directors had subscribed to Oaths of Office.

## CORPORATE RECORDS

### Articles of Incorporation and Bylaws

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

### Minutes

The Board of Directors and Shareholder meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. The annual meetings and other regular Board meetings were held in accordance with the Company's Bylaws.

## AFFILIATED COMPANIES

### Organizational Structure

As noted in the Capital and Surplus section above, the Company is ultimately owned by Robert A. and Pamela G. Steele, who also wholly-own the Company's only writing agency, Robert Steele Agency, Inc. and Castleton.

### Affiliated Agreements

First effective October 7, 2004, for three years and twice approved for additional three year periods on October 7, 2007, and October 7, 2010, the Company and Castleton entered into a \$950,000 surplus note agreement whereby the Company, in exchange for this capital infusion, pays Castleton interest at six (6) percent per annum. In 2010, the Company paid \$57,000 under the terms of this surplus note.

First effective January 1, 2008, and subsequently renewed, the Company and Robert A. Steele entered into a Commercial Lease Agreement whereby, the Company pays \$6,000 per annum in exchange for office space. In 2010, the Company paid \$6,000 under the terms of the agreement.

### FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Ohio Indemnity Company. The bond has blanket coverage of \$50,100 with no deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

### PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees and reported no pension, stock ownership, or other insurance type plans as of December 31, 2010.

### STATUTORY DEPOSITS

The Company reported a statutory deposit, held by INDOI for the benefit of all policyholders, with a book value of \$103,238 and a fair value of \$103,238. The deposit was comprised of United States Treasury Notes as of December 31, 2010.

### REINSURANCE

#### Reinsurance Assumed

The Company assumed no reinsurance during the examination period.

#### Reinsurance Ceded

The Company maintains a Stop Loss Reinsurance Agreement with Ohio Indemnity Company to limit the Company's maximum loss exposure to not more than fifty percent (50%) of earned premium for a calendar year, plus any additional security held by the reinsurer. The maximum aggregate liability to the reinsurer is limited to not more than \$1,000,000 per reinsured policy.

## ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2009, and 2010, were agreed to the respective Annual Statements. There were no independent audit reports prepared for any period under examination as the Company qualified for, and obtained, a filing waiver from the INDOI. The Company's accounting procedures, practices, and account records were satisfactory.

**MIDWESTERN EQUITY TITLE INSURANCE COMPANY**  
**FINANCIAL STATEMENTS**

Assets

As of December 31, 2010

|  | <u>Per Annual<br/>Statement</u> | <u>Examination<br/>Adjustments</u> | <u>Per<br/>Examination</u> | <u>December 31,<br/>Prior Year</u> |
|--|---------------------------------|------------------------------------|----------------------------|------------------------------------|
| <b>Assets:</b>   |                                 |                                    |                            |                                    |
| Bonds  | \$ 1,702,488                    | \$ -                               | \$ 1,702,488               | \$ 1,222,483                       |
| Stocks:  |                                 |                                    |                            |                                    |
| Common stocks  | 374,281                         | -                                  | 374,281                    | 190,177                            |
| Cash, cash equivalents and short-term<br>investments                       | 623,022                         | -                                  | 623,022                    | 1,071,768                          |
| Subtotals, cash and invested assets  | 2,699,791                       | -                                  | 2,699,791                  | 2,484,428                          |
| Investment income due and accrued  | 2,044                           | -                                  | 2,044                      | 4,202                              |
| Current federal and foreign income tax<br>recoverable and interest thereon | 1,000                           | -                                  | 1,000                      | 2,616                              |
| Receivables from parent, subsidiaries<br>and affiliates                    | 18,699                          | -                                  | 18,699                     | -                                  |
| Aggregate write-ins for other than<br>invested assets                      | 228,654                         | -                                  | 228,654                    | 239,690                            |
| <b>TOTALS</b>  | <u>\$ 2,950,188</u>             | <u>\$ -</u>                        | <u>\$ 2,950,188</u>        | <u>\$ 2,730,936</u>                |

**MIDWESTERN EQUITY TITLE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Liabilities, Surplus and Other Funds**

As of December 31, 2010

|   | <u>Per Annual<br/>Statement</u> | <u>Examination<br/>Adjustments</u> | <u>Per<br/>Examination</u> | <u>December 31,<br/>Prior Year</u> |
|---|---------------------------------|------------------------------------|----------------------------|------------------------------------|
| <b>Liabilities:</b>                     |                                 |                                    |                            |                                    |
| Other expenses                          | \$ -                            | \$ -                               | \$ -                       | \$ 2,250                           |
| Taxes, licenses and fees due or accrued | 206                             | -                                  | 206                        | 6                                  |
| Unearned premiums                       | 540,610                         | -                                  | 540,610                    | 565,026                            |
| Aggregate write-ins for liabilities     | -                               | -                                  | -                          | -                                  |
| <b>Total liabilities</b>                | <u>540,816</u>                  | <u>-</u>                           | <u>540,816</u>             | <u>567,282</u>                     |
| Common capital stock                    | 1,000,000                       | -                                  | 1,000,000                  | 1,000,000                          |
| Surplus notes                           | 950,000                         | -                                  | 950,000                    | 950,000                            |
| Unassigned funds (surplus)              | 459,372                         | -                                  | 459,372                    | 213,655                            |
| Surplus as regards policyholders        | 2,409,372                       | -                                  | 2,409,372                  | 2,163,655                          |
| <b>TOTALS</b>                           | <u>\$ 2,950,188</u>             | <u>\$ -</u>                        | <u>\$ 2,950,188</u>        | <u>\$ 2,730,937</u>                |

**MIDWESTERN EQUITY TITLE INSURANCE COMPANY**  
**FINANCIAL STATEMENTS**

**Statement of Income**

As of December 31, 2010

|   | <u>Per Annual<br/>Statement</u> | <u>Examination<br/>Adjustments</u> | <u>Per<br/>Examination</u> | <u>December 31,<br/>Prior Year</u> |
|---|---------------------------------|------------------------------------|----------------------------|------------------------------------|
| <b>UNDERWRITING INCOME</b>  |                                 |                                    |                            |                                    |
| Premiums earned   | \$ 145,350                      | \$ -                               | \$ 145,350                 | \$ 155,499                         |
| <b>DEDUCTIONS</b>   |                                 |                                    |                            |                                    |
| Losses incurred   | -                               | -                                  | -                          | 23,877                             |
| Other underwriting expenses incurred  | 32,902                          | -                                  | 32,902                     | 33,941                             |
| Total underwriting deductions   | 32,902                          | -                                  | 32,902                     | 57,818                             |
| Net underwriting gain (loss)  | 112,448                         | -                                  | 112,448                    | 97,681                             |
| <b>INVESTMENT INCOME</b>  |                                 |                                    |                            |                                    |
| Net investment income earned  | (6,497)                         | -                                  | (6,497)                    | 11,815                             |
| Net realized capital gains (losses)   | 1,886                           | -                                  | 1,886                      | 7,980                              |
| Net investment gain (loss)  | (4,611)                         | -                                  | (4,611)                    | 19,795                             |
| <b>OTHER INCOME</b>   |                                 |                                    |                            |                                    |
| Total other income  | -                               | -                                  | -                          | -                                  |
| Net income, after dividends to policyholders,<br>after capital gains tax and before all other<br>federal and foreign income taxes | 107,837                         | -                                  | 107,837                    | 117,476                            |
| Federal and foreign income taxes incurred   | -                               | -                                  | -                          | 824                                |
| <b>Net income</b>   | <b>\$ 107,837</b>               | <b>\$ -</b>                        | <b>\$ 107,837</b>          | <b>\$ 116,652</b>                  |

**MIDWESTERN EQUITY TITLE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Capital and Surplus Reconciliation**

|  | <u>2010</u>                | <u>2009</u>                | <u>2008</u>                | <u>2007</u>                | <u>2006</u>                |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Capital and Surplus Account:</b>  |                            |                            |                            |                            |                            |
| Surplus as regards policyholders,<br>December 31, prior year                 | \$ 2,163,655               | \$ 2,441,885               | \$ 2,307,444               | \$ 2,248,191               | \$ 2,108,582               |
| Net income (loss)  | 107,837                    | 116,652                    | 141,531                    | 159,592                    | 124,436                    |
| Change in net unrealized capital<br>gains or (losses) less capital gains tax | 91,001                     | (260,622)                  | (7,090)                    | (100,339)                  | 15,173                     |
| Change in net deferred income tax  | -                          | -                          | 2,410                      | 34,115                     | (5,158)                    |
| Change in nonadmitted assets   | 46,879                     | (134,260)                  | (2,410)                    | (34,115)                   | 5,158                      |
| Change in surplus as regards policy<br>holders for the year                  | <u>245,717</u>             | <u>(278,230)</u>           | <u>134,441</u>             | <u>59,253</u>              | <u>139,609</u>             |
| <b>Surplus as regards policyholders,<br/>December 31, current year</b>       | <u><u>\$ 2,409,372</u></u> | <u><u>\$ 2,163,655</u></u> | <u><u>\$ 2,441,885</u></u> | <u><u>\$ 2,307,444</u></u> | <u><u>\$ 2,248,191</u></u> |

**COMMENTS ON THE FINANCIAL STATEMENTS**

There were no recommended adjustments to surplus as of December 31, 2010, based on the results of this examination.

**SUBSEQUENT EVENTS**

There were no events subsequent to the examination date and prior to the completion of fieldwork that were considered to have a material effect on the financial statements of the Company.



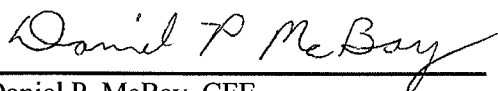
**AFFIDAVIT**

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 Noble Consulting Services, Inc. hereinafter collectively referred to as the "Examiners", performed an examination of **Midwestern Equity Title Insurance Company**, as of **December 31, 2010**.

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

This examination was performed in accordance with those procedures required by the 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 standards 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 **Midwestern Equity Title Insurance Company**, as of **December 31, 2010**, as determined by the undersigned.



Daniel P. McBay, CFE  
Noble Consulting Services, Inc.

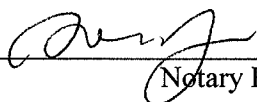
State of:  
County of:

On this 22 day of November, 2011, before me personally appeared, Daniel P. McBay, 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:

July 4, 2019

  
\_\_\_\_\_  
Notary Public

