

IN THE DISTRICT COURT OF SHAWNEE COUNTY, KANSAS
DIVISION 15

VICKI SCHMIDT,)
COMMISSIONER OF)
INSURANCE,)
In her Official Capacity,)
)
Petitioner,)
)
vs.)
)
KEY INSURANCE)
COMPANY,)
)
Respondent.)

Case No. 2025 CV -151

ORDER OF REHABILITATION

NOW on this date, Petitioner Vicki Schmidt, in her capacity as the Kansas Commissioner of Insurance (“Commissioner” or “Petitioner”), appears by counsel upon the *Petition for Rehabilitation of Domestic Property and Casualty Company* (“Rehabilitation Petition”) pursuant to the Kansas Insurers Supervision, Rehabilitation and Liquidation Act, K.S.A. 40-3605, *et seq.* (the “Act”). On the evidence and consent presented, the Court finds:

1. The jurisdiction and venue of this proceeding are proper under K.S.A. 40-3608 and 40-3616.
2. Key Insurance Company (“Key”) is a stock property and casualty insurance company organized under the laws of the State of Kansas. Key’s statutory home office and main administrative office is located at 8595 College Blvd, Suite 200, Overland Park, Kansas 66210.
3. Based on the Kansas Department of Insurance’s investigation of Key to date, the Commissioner has determined Key is in such condition that the further transaction of business would be hazardous financially to its policyholders, creditors, or the public.
4. The board of directors of Key has consented to rehabilitation, which is a sufficient,

independent ground upon which this Court may enter an order of rehabilitation under K.S.A. 40-3616(i).

5. The Court finds that good cause exists to grant the Commissioner's Rehabilitation Petition.

IT IS THEREFORE ORDERED, ADJUDGED AND DECREED as follows:

6. ***Appointment of the Rehabilitator.*** Petitioner Vicki Schmidt, in her capacity as Commissioner of Insurance, and her successors in office, is appointed rehabilitator of Key (the "Rehabilitator"), with all the rights, duties, powers and obligations under law and under K.S.A. § 40-3605, *et seq.* The Rehabilitator may take such actions as she deems necessary or appropriate to reform, revitalize, and rehabilitate Key. Neither the grant herein of specific authority to the Rehabilitator nor the imposition herein of specific duties upon the Rehabilitator shall be interpreted to diminish the authority conferred upon the Rehabilitator by those sections.

7. ***Special Deputy Receiver and Other Assistance.*** The Rehabilitator's appointment of Jodi M. Adolf and Bruce E. Baty as Special Deputy Receivers is approved, and they shall have all the powers and responsibilities of the Rehabilitator granted under Kansas law and this Order. The Rehabilitator may also consult with and obtain the assistance and advice of insurance experts, attorneys, and consultants as deemed necessary.

8. ***Compensation.*** The compensation of the Special Deputy Receivers, insurance experts, attorneys, and consultants, and all expenses of taking possession of Key and of conducting the proceedings shall be fixed by the Commissioner, with approval of the Court and shall be paid from the assets of Key.

9. ***Management of the Company.*** The powers of the respective officers, directors, managers, agents and employees of Key are hereby suspended, except as they are specifically re-delegated by the Rehabilitator. The Rehabilitator shall have all the powers of the officers, directors,

trustees, managers, agents and employees of Key.

10. The Rehabilitator shall have full power to direct and manage, to hire and discharge employees subject to any contract right they may have.

11. The Rehabilitator shall have full power to deal with the property and business of Key, and to deal with the property and business of Key.

12. **Possession of Property.** The Rehabilitator shall forthwith take possession and title of Key and all of its books, records, accounts and all other assets and property, wherever located and in whatever form, under the general supervision of this Court.

13. Officers, directors, managers, agents and employees are prohibited from disposing, using, transferring, removing or concealing any property of Key, without the express written authority of the Rehabilitator.

14. Any bank, savings and loan association or other financial institution or other legal entity holding any property or assets of Key is prohibited from disposing of, allowing to be withdrawn or concealing in any manner any property or assets of Key, except under the express authorization of the Rehabilitator or by the further order of this Court.

15. **Key Insurance Policies.** Key shall not issue any new insurance policies or renew any existing insurance policies.

16. **Moratorium.** A moratorium shall be imposed on the payment by Key of any claim against a policy, policyholder, or Key in an amount that exceeds the policy limits of the applicable insurance policy or policies.

17. **Stay of Litigation and Other Proceedings Against Key.** The commencement or continuation of a judicial, administrative or other action or proceeding against Key in this State, either before or after the commencement of this action, in which Key is a party or is defending a party, are stayed for at least ninety (90) days from the date of this Order and for such additional time as is

necessary for the Rehabilitator to obtain proper representation and prepare for further proceedings.

18. The following actions are also stayed:

a. The commencement or continuation of a judicial, administrative, or other action or proceeding affecting the assets of Key, either before or after the commencement of this action;

b. The enforcement, against Key or its property, of a judgment obtained before the commencement of this case;

c. Any act to obtain possession of property of Key or to exercise control over property of Key;

d. Any act to create, perfect or enforce any lien against property of Key;

e. Any act to create, perfect or enforce against property of Key any lien to the extent that such lien secures a claim that arose before the commencement of this case;

f. Any act to collect, assess, or recover a claim against Key that arose before the commencement of this case; and

g. The setoff of any debt owing to Key that arose before the commencement of this case against any claim against Key.

19. The Rehabilitator shall immediately consider all litigation pending outside this State against Key or against a party that Key is defending, and shall petition the courts having jurisdiction over that litigation for stays whenever necessary to protect the estate of Key.

20. **Reports to the Court.** The Rehabilitator shall make semi-annual accountings and report to the Court each year. The first accounting and report shall be due on or before the 120th day following the entry of this Order.

21. **Contracts.** Pursuant to K.S.A. § 40-3617(c), this Order shall not constitute an anticipatory breach of any contract of Key, nor shall it be grounds for retroactive revocation or

retroactive cancellation of any contracts of said company, unless such revocation or cancellation is made by the Rehabilitator pursuant to K.S.A. § 40- 3618.

22. The Commissioner, as Rehabilitator may modify or cancel any contract or agreement that, in the Rehabilitator's sole discretion, is not in the best interests of Key any or its policyholders or other creditors.

23. **Immunity.** The Rehabilitator, her successors, special deputies, employees, agents and attorneys, and all employees of the State of Kansas, when acting with respect to the rehabilitation of Key, shall enjoy official immunity and be immune from any claim against them personally while acting in good faith in the performance of their functions and duties in connection with the rehabilitation during the period of rehabilitation.

24. **Legal Action/Preservation of Assets.** The Rehabilitator is authorized and directed to seek all other relief that the Rehabilitator deems necessary to preserve and protect the assets of Key, wherever they may be located, and minimize, reduce, compromise or eliminate any existing or potential claims against Key. This authority expressly includes, but is not limited, seeking a stay of any litigation pending against Key in any Federal Court or in any state outside of Kansas and working with the Commissioners and/or Directors of the respective Departments of Insurance in other states where Key has ongoing dealings including the institution of any legal proceedings ancillary to this matter.

25. The Rehabilitator shall have full power and authority under K.S.A. §§ 40-3629 and 40-3630 to avoid and recover fraudulent transfers. The Rehabilitator is hereby authorized to pursue any claims or other causes of action that any current or former creditors of Key could assert against any other entity under the Kansas Uniform Fraudulent Transfer Act, K.S.A. § 33-201, *et. seq.*

26. The Rehabilitator shall further have all power to pursue all appropriate legal actions and remedies on behalf of Key and its policyholders and creditors.

27. The Rehabilitator shall succeed to and control any and all legal privileges held by Key.

28. *Prohibitions Applicable to Former Affiliated Persons and Entities.* Pursuant to K.S.A. § 40-3609, all entities and persons (as that term is defined by K.S.A. § 40-3607(m)), including, but not limited to, the officers, directors, agents, current and former contractors or vendors, and employees of Key, are enjoined from:

- a. Transacting the business of Key, other than as directed by the Rehabilitator, her successors or authorized representatives;
- b. Transferring property of Key without the approval of the Rehabilitator, her successor or authorized representatives;
- c. Interfering with the Rehabilitator's actions authorized by this Order or by the Act or any proceeding of Key under the Act;
- d. Wasting the assets of Key;
- e. Dissipating and transferring bank accounts or any property or other assets of Key;
- f. Withholding any books, accounts, documents or other records relating to the business of Key from the Rehabilitator, her successors or her authorized representatives;
- g. Taking any action that might lessen the value of the assets of Key;
- h. Instituting or further prosecuting any actions or proceedings on behalf of Key without the permission of the Rehabilitator, her successors or authorized representatives;
- i. Obtaining preferences, judgments, attachments, garnishments or liens against Key, its assets or its policyholders;
- j. Levying execution against Key, its assets, or its policyholders;
- k. Making any sale or deed for nonpayment of taxes or assessments that would

lessen the value of the assets of Key;

l. Threatening or contemplating any other action that might lessen the value of Key's assets or that might prejudice the rights of its policyholders, creditors, or shareholders, or the administration of any proceeding involving Key under the Act; and

m. Paying any debts owed to Key (including rental payments) to anyone other than the Rehabilitator, her successors or authorized representatives.

29. ***Cooperation with the Rehabilitator.*** Any current and former officer, manager, director, trustee, owner, employee, contractor, vendor, or agent of Key, or any other entity or person (as that term is defined by K.S.A. § 40-3607(m)) with authority over or in charge of any segment of its affairs at any time, shall cooperate with the Rehabilitator.

30. All officers, managers, directors, owners, employees, attorneys (including outside counsel) or other agents or representatives of Key, or any other persons with authority over or in charge of any segment of the affairs of Key, including any person who exercises control directly or indirectly over activities of Key or any other affiliate of Key, shall and are hereby ordered to, cooperate with the Rehabilitator by:

a. Promptly replying in writing to any inquiry from the Rehabilitator;

b. Making available to the Rehabilitator any books, accounts, documents or other records or information or property of or pertaining to Key and in Key's possession, control or custody; and

c. Not obstructing or interfering with the Rehabilitator in the conduct of any delinquency proceeding under the Act or any investigation preliminary or incidental thereto.

31. ***Scope of This Order.*** Nothing in this Order of Rehabilitation may be construed as a "final order of liquidation" or a legal finding that Key is "impaired" or "insolvent" and, until further order or action by this Court, Key shall not be considered "insolvent" within the meaning of the

K.S.A. § 40- 3607(k). However, nothing in this paragraph shall be deemed to prejudice the Rehabilitator in any way from demonstrating to the Court, based upon a preponderance of the evidence, the date upon which Key became insolvent (which date the Court recognizes could predate the entry of this Order).

32. Nothing in this Order shall be deemed to limit or impede in any way any right or authority conferred upon the Commissioner by the Act or other applicable law.

33. This Order shall not be sealed or confidential. The Rehabilitator shall file this order with the Clerk of the Court so that creditors and the public are put on notice of the rehabilitation.

IT IS SO ORDERED.

**THIS ORDER IS EFFECTIVE ON THE DATE AND TIME SHOWN ON THE
ELECTRONIC FILE STAMP.**

A handwritten signature in black ink, appearing to be "D. Scott", written in a cursive style.

Prepared by:

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