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ATTORNEYS FOR PETITIONER

**IN THE DISTRICT COURT OF SHAWNEE COUNTY, KANSAS
DIVISION 15**

VICKI SCHMIDT,)	
COMMISSIONER OF)	
INSURANCE,)	
<i>In her Official Capacity</i>)	
)	
Petitioner,)	Case No. 2023 CV 494
)	
vs.)	
)	
MutualAid eXchange)	
)	
Respondent.)	

THIRD SEMI-ANNUAL REPORT

COMES NOW Commissioner of Insurance, Vicki Schmidt, in her capacity as Liquidator (“Liquidator”) of MutualAid eXchange (“MAX”), by and through counsel, and pursuant to ¶ 14

of the Court’s Judgment, Decree and Order of Liquidation with Finding of Insolvency (the “**Liquidation Order**”) in the above captioned matter and K.S.A. §§ 40-3605 *et seq.* (the “Act”), submits this Third Semi-Annual Report (“**Report**”).

On August 8, 2023, this Court granted plaintiff’s Petition for Rehabilitation and appointed Vicki Schmidt, the Commissioner of Insurance and her successors in office as Rehabilitator of MAX, and Jodi Adolf and Bruce Baty as Special Deputy Receivers (“**SDRs**”) of MAX. The SDRs, along with consultants immediately reviewed the financial situation of MAX and determined that it was insolvent and plaintiff petitioned the Court to place MAX into liquidation.

A. Background

This Report provides an update to the Court, as required by the Liquidation Order, and includes an update on the work the Liquidator and her staff carried out since filing her Second Semi-Annual Report on September 9, 2024. This Report also provides a MAX financial balance sheet as of December 31, 2024. This Report is based only on the knowledge that the Liquidator and her staff have gained from the work performed since the issuance of the Rehabilitation Order and the Liquidation Order. Facts may exist that the Liquidator is unaware of that may have a material effect on the information provided in this Report. The Liquidator will update the information in future semi-annual reports as additional facts are discovered.

B. MAX Property

The Liquidator has taken possession of all known assets and property of MAX in accordance with the Liquidation Order. The Liquidator, through the SDRs, control and continue to monitor all bank accounts and investment operations of MAX and its wholly-owned subsidiary MII Management Group, Inc. (“**MIIMG**”).

A. Unearned Commissions

To date, the Liquidator has collected \$1,523,106.40 from agents with unearned commission balances. The total outstanding balance of unearned commission due to the MAX Estate is \$122,668. Most of the outstanding balance is due from Oklahoma agents (\$104,135.56). The Liquidator is investigating cost-effective strategies to collect this outstanding balance.

B. Reinsurance

Reinsurance collections from the Liquidation Date to December 31, 2023, were \$1.264 million. Reinsurance collections from January 1, 2024 to December 31, 2024 were approximately \$7 million. The Liquidator continues to pursue reinsurance collections.

C. State Guaranty Associations

The State Guaranty Associations¹ (“SGAs”) where MAX was authorized to write business continue to administer certain claims related to MAX’s insurance policies, including unearned premium claims and claims under homeowner and farm owner policies.

Pursuant to K.S.A. § 40-3623, all policies and insurance contracts issued by MAX in effect on the Liquidation Date, terminated the earlier of (1) 30 days from the date of entry of the Liquidation Order, (2) the expiration of the policy coverage, or (3) the date when the insured has replaced the insurance coverage with equivalent insurance in another insurer or otherwise terminated the policy.

1. Unearned Premium Claims

¹ Arizona, Iowa, Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Ohio, Oklahoma, Pennsylvania, South Dakota, Utah, Virginia and West Virginia.

When a policy terminated prior to its expiration date, but premium had been collected from a policyholder, MAX calculated the unearned premium (“UEP”) due to that policyholder and transferred all UEP claims to the affected SGAs. Total UEP on December 31, 2023, was \$17,192,086.

The SGAs have been paying covered UEP claims to the policyholders. In some states, the statute provides that the SGA will pay 100% of the UEP claim, and in other states, the statute provides for either a deductible, a minimum or a maximum payment by the SGA for UEP claims. The SGAs report the amount they paid for each UEP claim to MAX via UDS records. To date, the SGAs have paid \$16,158,947 in UEP to policyholders.

2. Policy Claims

At the time of liquidation, MAX wrote Homeowners, Farmowners, and Dwelling Property insurance. MAX transferred all open and new claims to the SGAs. As of December 31, 2024, 337 policy claims remained open with the SGAs.

Eight policyholders filed a Proof of Claim with the Liquidator, making policy claims that exceed the state guaranty association statutory limits. Six of these claims have been adjudicated, and submitted to the Court in the Liquidator’s Claim Review Reports.

D. Operations

The Liquidator continues her evaluation of expenses resources, and has reduced expenses where appropriate. MIIMG currently has three full-time employees and three part-time

employees,² who work with and report to the SDRs. The lease for office space terminated on September 30, 2024, and all staff work remotely.

Pursuant to the Liquidation Order, the Liquidator submits to the Court a statement of assets and liabilities, as of December 31, 2024. *See* Statement of Assets and Liabilities, attached hereto as **Exhibit A**.

E. Proof of Claim Process and Distribution of Assets

In the Liquidation Order, the Court approved a form of Proof of Claim and set a Bar Date of August 23, 2024. The Liquidator has received 802 Proofs of Claim. The Liquidator filed her First Claims Review Report on September 9, 2024 and her Second Claims Review Report on December 6, 2024. The Court has approved the disposition of 725 claims. The Liquidator has denied 388 Proofs of Claim and has allowed or allowed in part 320 Proofs of Claims. The Liquidator allowed as contingent the Proofs of Claim submitted by 17 State Insurance Guaranty Associations Proof of Claim.

On February 13, 2025, the Liquidator filed her Third Claims Review Report, seeking the Court's approval to finalize 12 additional Proofs of Claim – six that were previously contingent, and six considered for the first time. The Liquidator's staff continues to evaluate the remaining 65 Proofs of Claim.

On December 6, 2024, the Liquidator also filed her Motion for Approval of First Interim Distribution. On December 23, 2024, the Court entered its Order approving a First Interim Distribution in the amount of 20% of the allowed amount of Class 2 claims. The Liquidator

² Two of the part-time employees are former MIIMG IT staff. They each work 6 to 10 hours per week assisting with processing UDS records and performing other critical IT functions.

thereafter distributed \$7,660,452.36. In her Third Claims Review Report, the Liquidator recommended approving three additional POCs and requested the Court to extend the First Interim Distribution to these three POCs, allowing a First Interim Distribution in the amount of 20% of the allowed amount. The total of this supplemental distribution will be \$111,770.84.

In December 2024, the Liquidator distributed \$ 699,907.19 to the State Insurance Guaranty Associations based on the amount each reported to the Liquidator in “D” UDS records. After making the distribution, several reporting errors were discovered and the Liquidator has paused further Class 1 distributions to the State Insurance Guaranty Associations pending clarification of the Class 1 expenses with the State Insurance Guaranty Associations.

WHEREFORE, the Liquidator submits this Third Semi-Annual Report of MAX.

Respectively submitted,

/s/ Steven A. Karrer

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Vicki Schmidt, Commissioner of Insurance

Exhibit A**MUTUAL AID EXCHANGE IN LIQUIDATION
STATEMENT OF ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2024****ASSETS:**

Type of Asset	Subtotal Column	Total
Cash		<u>-</u>
Short-term Investments		<u>8,889,409</u>
Deposits Held for States - at market		<u>3,053,214</u>
Bonds:		
U.S. Government, including mortgage backed	<u>2,490,958</u>	
U.S States, Political Subdivision, Special Revenue	<u>1,560,112</u>	
Industrial and Misc.	<u>8,039,292</u>	
MVA on Bonds	<u>(4,761)</u>	
Total Bonds		<u>12,085,601</u>
Stocks:		
Preferred	<u>-</u>	
Common	<u>5,005,686</u>	
MVA	<u>(3,979,372)</u>	
Total Stock		<u>1,026,314</u>
Advances to Guaranty Associations		<u>-</u>
Recoverable from Reinsurers:		
Paid Losses and LAE	<u>1,973,337</u>	
Known Case Loss and LAE Reserves	<u>2,949,277</u>	
IBNR Loss and LAE Reserves	<u>177,940</u>	
Ceded Premiums	<u>110,924</u>	
Contingent Commissions (If not claims)	<u> </u>	
MVA	<u> </u>	
Total Recoverable from Reinsurers		<u>5,211,478</u>
Federal Income Tax Recoverable	<u> </u>	
Other Taxes Recoverable	<u> </u>	
Salvage and Subrogation Recoverables	<u> </u>	
Premiums Due and Accrued	<u> </u>	
Agents' Balances	<u>122,667</u>	
Receivable from Affiliates	<u> </u>	
Accrued Investment Income	<u>76,093</u>	
Total Unrestricted Assets		<u><u>30,464,776</u></u>
Restricted Assets		<u>-</u>
(Cash in escrow)		
Total Assets		<u><u>30,464,776</u></u>

MVA -- Market value adjustment.

**MUTUAL AID EXCHANGE IN LIQUIDATION
STATEMENT OF ASSETS AND LIABILITIES
AS OF DECEMBER 31, 2024**

LIABILITIES:

Type of Liability	Subtotal Column	Total
Secured claims		
Class 1 Administrative Claims:		
General Administrative Estimated Expenses	1,285,780	
Guaranty Association DCC	-	
Total Class 1 Claims	-	1,285,780
Class 2 Policy Benefit Claims:		
Unearned Premium (Paid by IGA)	13,211,316	
Unearned Premium (Remaining unpaid)	45,329	
Guaranty Fund Covered (claims)	18,325,007	
Guaranty Association Estimated Expenses	2,394,108	
Guaranty Association Claim Reserves	4,991,381	
MAX Approved claims POC's	5,361	
MAX Claims Reserves for over limit POC's	1,129,561	
Total Class 2 Claims	1,129,561	40,102,064
Class 3 Federal Government		-
Class 4 Employee Compensation		-
Class 5 General Creditor Claims:		
Reinsurance Ceded	89,251	
Other General Creditor	524,177	
Total Class 5 Claims	524,177	613,428
Class 6 State & Local Government		77,525
Class 7 Late Filed		-
Class 8 Surplus Notes		-
Class 9 Ownership Related		-
Total Liabilities		42,078,797
Excess (Deficiency) of Assets Over Liabilities		(11,614,021)
Total		30,464,776

Notes: The classifications shown above are from Kansas Insurance Code 40-3641.

MUTUAL AID EXCHANGE IN LIQUIDATION
STATEMENT OF ASSETS
AS OF AUGUST 22, 2023

ASSETS:

	Subtotal Column	Total
Cash		(780,753)
Short-term Investments		<u>4,376,390</u>
Deposits Held for Other States		<u>2,963,934</u>
Bonds:		
U.S. Government, including mortgage backed	<u>5,352,729</u>	
Industrials and Misc.	<u>8,888,508</u>	
Municipal/Non-revenue		
MVA on Bonds	<u>(1,896,829)</u>	
Total Bonds		<u>12,344,408</u>
Stocks:		
Preferred	<u>-</u>	
Common	<u>5,005,686</u>	
MVA	<u>(1,844,784)</u>	
Total Stock		<u>3,160,902</u>
Advances to Guaranty Associations		<u>-</u>
Recoverable from Reinsurers:		
Paid Losses and LAE	<u>4,175,990</u>	
Known Case Loss and LAE Reserves		
IBNR Loss and LAE Reserves		
Unearned Ceded Premiums	<u>4,463,836</u>	
Contingent Commissions (If not claims)		
MVA		
Total Recoverable from Reinsurers		<u>8,639,826</u>
Federal Income Tax Recoverable		<u> </u>
Other Taxes Recoverable		<u> </u>
Salvage and Subrogation Recoverables		<u> </u>
Premiums Due and Accrued		<u>2,137,724</u>
Agents' Balances		<u>-</u>
Receivable from Affiliates		<u> </u>
Accrued Investment Income		<u>104,216</u>
Other Assets:		
Asset 1	<u> </u>	
Asset 2	<u> </u>	
Asset 3	<u> </u>	
Any applicable MVA or adj. for uncollectible	<u> </u>	
Total Other Assets		<u> </u>
Total Unrestricted Assets		<u><u>32,946,648</u></u>
Restricted Assets		<u>-</u>
(Cash in escrow)		<u> </u>
Total Assets		<u><u>32,946,648</u></u>

MVA -- Market value adjustment.

Notes to the Financial Statements

Cash

Balance represents deposit accounts held at Commerce Bank, N.A.
Current balance is \$0 as excess cash is held in ST Goldman Sachs account resulting in a temporary float situatio

Short-term Investments

Balance consists of two Exempt Money Market Mutual funds, one which is held in an account at Commerce Bank, N.A. and one at Fifth Third Bank

Deposit Held for Other States

Balance represents Bonds held as qualifying deposits for the benefit of policyholders in the following states: Kansas, Georgia, New Mexico, North Carolina, Virginia (stated at Market value)

Bonds

Bonds carried at fair market value held in custody at Fifth Third Bank

Stocks

MutualAid eXchange owns two common stocks:
30 shares of NAMIC Insurance Company Class B common stock purchased 7/24/2009 whose fair value at 12/31/2024 is \$11,772
Fully owned subsidiary, MII Management Group, Inc. which is carried at statutory equity value of \$2,134,004, less administrative expenses paid on behalf of MAX of \$1,119,462

Advances to Guaranty Associations

For the one month period from the date of liquidation of MutualAid eXchange until 9/22/2023, MAX was ordered to issue some loss and loss adjustment expenses payments that have been classified as Hardship payments. These payments were considered advances made to 15 state guaranty associations. Payments have been received from all.

Recoverable from Reinsurers

Paid Loss and LAE

Recoverables from 25 reinsurers on the following reinsurance agreements:
Multiline Excess of Loss - 2019, 2022, 2023
Catastrophe Coverage - 2019, 2020, 2021, 2022, 2023
Quota Share - 2017-2023
Aggregate Excess of Loss - 2020, 2021, 2022

Known Case Loss and LAE Reserves

Cased Loss and LAE reserves ceded on reinsurance contracts noted above

IBNR Loss and LAE Reserves

IBNR Loss and LAE reserves ceded on reinsurance contracts noted above

Ceded Premiums

Net ceded premium in excess of deposits paid by MAX on 2023 reinsurance contracts
Also net of reinstatement premium on Catastrophe coverages

Agent Balances

Balances due back from independent agents for direct written unearned commissions

Accrued Investment Income

Accrued interest on bonds

Restricted Cash

None

Class 1 Administrative Claims

General Administrative Estimated Expenses - Accrued direct expenses of MAX for investment fees and fees in association with the management of the liquidation of MAX (consulting, Deputy Receivers) and estimated expenses for the administration of the company through 2025.

Guaranty Association DCC Expenses - This line item represents Defense and Cost Containment expenses incurred as part of the settlement of individual claims as reported to the company by the State Guaranty funds. All amounts submitted to as of 12/31/24 have been paid the the GA's.

Class 2 Policy Benefit Claims

Unearned Premium - Return policyholder premiums paid directly by state guaranty associations (Paid by IGA) or due for payment to direct policyholders (Remaining unpaid)

Guaranty Fund Covered (Claims) - Loss paid directly to claimants by state guaranty associations

Guaranty Association Estimated Expenses - This line item is under review and represents expenses expected to be reimbursed to state guaranty associations for the following:

Employee contractor expenses, legal, professional fees, travel/meeting expenses office/rent/utilities, general office expenses, investment manager fees

Guaranty Association Claim Reserves - Case outstanding loss and loss adjustment expense reserves including IBNR loss and loss adjustment expenses

MAX Approved Claims POC's - Independent adjuster fees relating to claims work performed pre-liquidation that the GA's did not pay.

MAX Claims Reserves for over limit POC's - Large losses in excess of GA payment limitations

Class 5 General Creditor Claims

Reinsurance ceded

Funds held balances received and held as funding from 4 unauthorized reinsurers

Other General Creditor

Amount of Proofs of Claim submitted

Class 6 State and Local Government

Estimated State Insurance Bureaus TLF