August 23, 2019

Dear Policyholder:

You are receiving this letter because our records indicate that you may have medical malpractice insurance coverage with Physicians Standard Insurance Company. If you no longer have coverage, please disregard this letter.

The Board of Directors of Physicians Standard Insurance Company (“PSIC”) consented to an Order of Rehabilitation (“Order”). On August 20, 2019, the Shawnee County District Court in Topeka, Kansas (“Court”), issued the order pursuant to a petition filed by the Kansas Insurance Commissioner, Vicki Schmidt (“Commissioner”). While a large majority of PSIC’s policyholders are Missouri medical professionals, PSIC is a Kansas domestic company, and regulation of the company falls under the jurisdiction of the Commissioner.

The Commissioner petitioned the Court for the Order after a determination that PSIC’s deteriorating financial condition warranted action to protect the policyholders of PSIC. Specific issues and concerns leading to the Commissioner’s action are outlined in the Order of Rehabilitation, which can be found on the Kansas Insurance Department’s website at https://www.ksinsurance.org/department/LegalIssues/PSIC-Rehabilitation.php. The Order allows the Commissioner, as Rehabilitator, to reform and revitalize PSIC to protect policyholders. The Commissioner will take control of PSIC, subject to Court supervision. The Commissioner will have the power of all officers, managers, and directors, and the full power to deal with the property and business of PSIC.

While the Court placed PSIC into rehabilitation, this does not mean PSIC has been declared insolvent or is being liquidated at this time. Rather, under the Order, PSIC will continue to operate while the Commissioner works on a plan of rehabilitation to stabilize the financial condition of PSIC. Current insurance policies will remain in-force and PSIC continues to renew policies and cover policyholder claims as long as policyholders pay premiums when due. Policyholders should continue to file claims as they have in the past and can continue to pay their premiums.

A successful rehabilitation means that PSIC will continue to do business with little to no interruption in activities and minimal inconvenience to policyholders. At this early stage in the rehabilitation effort, the Commissioner and her staff believe it is reasonable to work toward the development of a plan of rehabilitation. Under the Kansas Insurance Code, a plan of rehabilitation could include the reorganization, consolidation, conversion, reinsurance, merger or other appropriate transformation of the insurer.
The Order for Rehabilitation, this letter, and further information is available on the Kansas Insurance Department website at: https://www.ksinsurance.org/department/LegalIssues/PSIC-Rehabilitation.php.

We have created a Frequently Asked Questions page, which you can also find at that link. If you have questions not addressed there, you can contact the Department at kid.psic@ks.gov or (785)-296-2676.

Thank you in advance for your patience in this matter.

Sincerely,

[Signature]

THE KANSAS INSURANCE DEPARTMENT
Vicki Schmidt, Kansas Insurance Commissioner

Cc: Justin McFarland, General Counsel