

IN THE DISTRICT COURT OF SHAWNEE COUNTY, KANSAS
DIVISION 6

VICKI SCHMIDT, COMMISSIONER	)	
OF INSURANCE,	)	
<i>In her Official Capacity,</i>	)	
	)	
Petitioner,	)	Case No. 2019 CV 351
	)	
vs.	)	
	)	
PHYSICIANS STANDARD INSURANCE	)	
COMPANY,	)	
	)	
Respondent.	)	

LIQUIDATOR'S TWELFTH STATUS REPORT

Vicki Schmidt, the Commissioner of the Kansas Department of Insurance, in her capacity as the court-appointed liquidator (“**Liquidator**”) of Physicians Standard Insurance Company (“**PSIC**”), provides the following status report pursuant to the Court’s Order of Liquidation (“**Liquidation Order**”), the Court’s Order on Liquidator’s Motion to Establish Certain Procedures, Extend Certain Deadlines, and to Approve Fees and Expenses in Relation to PSIC (“**Procedural Order**”), and K.S.A. 40-3622(d).¹

The Liquidator has now marshalled all assets of the PSIC estate (“**Estate**”) as shown on the financial statement attached as Exhibit A. In addition to the cash and other assets detailed in the financial statement, the Liquidator holds rights to certain claims for which the recovery is uncertain, particularly the following:

¹ The Procedural Order set deadlines for status reports of every 6 months beginning June 1, 2020. This status report focuses on developments that occurred since the Liquidator filed her last report on June 2, 2025.

- (1) The Liquidator's rights under an Assignment of Proceeds of Receivership Claim that the Liquidator received through the Court-approved settlement with Timothy H. Trout (**"Trout Assignment"**), particularly the right, title, and interest in the proceeds of Trout's Proof of Claim that he filed in the receivership of PSIC's former owner, Missouri Professionals Mutual-Physicians Professional Indemnity Association (**"MPM-PPIA"**), in Franklin County, Missouri, Circuit Court Case No. 18AB-CC00267; and
- (2) The Liquidator's rights obtained through the Court-approved Settlement Agreement (**"Law Firm Settlement Agreement"**) with PSIC's former law firm, Hansen, Stierberger, Downard, Schroeder, & Head, LLC (**"HSDSH"**) and HSDSH attorney Jonathan Downard, including an assignment of HSDSH's and Downard's claims against their liability insurer, The Bar Plan Mutual Insurance Company (**"The Bar Plan"**), as well as a Consent Judgment and stipulated settlement which are only collectable against The Bar Plan (**"Bar Plan Claims"**).

Recoverability under the Trout Assignment is uncertain and will depend upon the timing and distributions made in MPM-PPIA's receivership. Recoverability on the Bar Plan Claims is also uncertain and could be time-consuming and costly since it will involve litigation.

There are only sufficient assets in the Estate for payment of Class 1 and 2 claims. The Liquidator has therefore focused on disposition of the Class 1 and 2 claims and is separately filing a Motion to Approve the Liquidator's Report and Recommendations Regarding Class 1-2 Claims and to Approve Related Distributions and Assignments. In short, the Liquidator's proposal contemplates the following steps to resolve all Class 1-2 claims.

1. A cash distribution of the available assets in the Estate to PSIC's highest priority and largest creditor, the Missouri Property and Casualty Guaranty Association ("**MIGA**"), in the form of an early access distribution;
2. Contingent early access distributions to be made to MIGA in further satisfaction of its claim through assignment of the Liquidator's rights in the Trout Assignment and the Bar Plan Claims;
3. Satisfaction in full of the other allowed Class 2 claims; and
4. Approval of all denied Class 2 claims to which there has been no timely claimant objection.

After resolution and payment of all allowed Class 1-2 claims, the only remaining material tasks will involve final tax returns, obtaining a federal release of claims² against PSIC and the Liquidator, monitoring of the Bar Plan Claims for potential payment of creditor claims from the proceeds of those claims, and a final report and other closing activities. Those activities will likely take several months, if not years, especially since the Bar Plan Claims will involve litigation and it can take years to negotiate a release of federal government claims. Besides those activities, the Liquidator is not aware of any other anticipated activities or matters on which to update the Court and creditors.

The Liquidator is evaluating a request to the Court to suspend the Liquidator's ongoing reporting obligations and to temporarily close the Estate to save administrative expenses, i.e., an administrative closure. In that scenario:

² The Liquidator is not aware of any federal claims against the PSIC Estate, but there is a risk that such claims exist and have not yet been asserted. The federal government may claim it is not subject to the state court's deadline for assertion of claims, and that it is entitled to super priority on its claims ahead of all other creditors. For this reason, the Liquidator is going to coordinate with the federal government to obtain a federal release of claims before final closure of the Estate.

- Anticipated costs for the remaining closing activities, e.g., the tax returns and federal release, would be prepaid and placed in counsel's trust account, with any funds remaining after payment of administrative expenses to MIGA as an additional early access distribution;
- The Estate would no longer have any assets, income, or expenses, to cut off administrative expenses and tax reporting and obligations;
- The Liquidator's reporting obligations to the Court would be suspended until the Liquidator's final report or other motion;
- The Liquidator would monitor recovery on the Bar Plan Claims to evaluate future potential distribution to creditors;³ and
- Once all matters are concluded and a federal release is obtained, the Liquidator would file her final status report and request to formally close the Estate.

If the Liquidator determines that an administrative closure is in the best interest of the Estate and its Creditors, the Liquidator will file a separate motion with the Court to approve and set the terms for such administrative closure.

In the meantime, the Liquidator will continue to update the Court consistent with the Procedural Order and as needed to update on material developments.

³ If MIGA receives funds under the contingent early access distributions excess of its allowed claims, MIGA would be obligated to return those funds for distribution to other creditors under the Early Access Agreement. The Liquidator would then evaluate how best to proceed with the adjudication and potential distribution to any allowed lower priority Class 3 – 9 claims and would file the appropriate motion to adjudicate and approve a distribution to lower priority creditors.

Respectfully submitted,

VICKI SCHMIDT, COMMISSIONER OF
INSURANCE, AS LIQUIDATOR

/s/ Kirsten A. Byrd

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ATTORNEYS FOR THE LIQUIDATOR

CERTIFICATE OF SERVICE

The undersigned certifies a true and correct copy of the above and foregoing was filed on October 30, 2025 using the Court's electronic filing system which provided notice to all attorneys of record and by email to the following:

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/s/ Kirsten A. Byrd
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EXHIBIT A

Physicians Standard Insurance Company
Statement of Net Assets and Net Liabilities (Unaudited)
As of September 30, 2025

<u>Assets</u>	<u>08.31.2025</u>
Cash Assets - Checking/Savings	\$ 4,306,849.73
Accounts and Claims Receivable	<u>\$ 50,000.00</u>
Total Assets	<u>\$ 4,356,849.73</u>
<u>Liabilities</u>	
Liquidator Administrative Expenses Accounts Payable	\$ 27,431.06
Administrative Expense Reserve ¹	\$ 500,950.73
MIGA – all claims, all classes, future & present ²	\$ 6,113,318.68
Class 2 Allowed Claims (non – MIGA)	\$ 62,991.89
Class 3-9 Claims – undetermined ³	<u>\$ 56,000.00</u>
Total Liabilities (All classes)	<u>\$ 6,760,692.36</u>
Total Net Liabilities (Assets minus liabilities)	<u>\$ (2,403,842.63)</u>

1. The administrative reserve will cover all remaining legal, accounting, tax and any other miscellaneous expenses of the estate through estate closing. Any amounts remaining will be distributed to creditors according to the applicable priority statute, K.S.A. 40-3641.

2. This is the total of actual MIGA Class 1 and 2 claims to date and an estimate of all future Class 1 and 2 claims. Because there are insufficient assets in the estate to pay MIGA's claims, the Liquidator has not adjudicated the claims and reserves all rights and defenses in relation to such claims.

3. Class 3 – 9 claims in the amount of \$56,000 have been adjudicated. Additional Class 3 – 9 claims will not be adjudicated at this time because there are not sufficient assets to pay all higher priority Class 2 claims, so there is no reason for the estate to incur the expense of adjudicating the remaining Class 3 – 9 claims.