

IN THE DISTRICT COURT OF SHAWNEE COUNTY, KANSAS  
DIVISION 6

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

**LIQUIDATOR’S MOTION TO ADMINISTRATIVELY CLOSE ESTATE**

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**”), asks the Court to enter an order of administrative closure of the PSIC estate (“**Estate**”) and to suspend the Liquidator’s ongoing reporting obligations. The Liquidator states the following in support.

1. The Liquidator has marshalled all assets of the Estate and filed a Motion to Approve the Liquidator’s Report and Recommendations Regarding Class 1-2 Claims and to Approve Related Distributions and Assignments (“**Liquidator’s Claims Report**”), which the Court approved on November 5, 2025 (“**Distribution Order**”).

2. Pursuant to the Court’s Distribution Order, the Liquidator has made or is in the process of making cash distributions from the available assets to PSIC’s Class 1 and Class 2 creditors, including:

- a. Payment of an early access distribution to the Estate's largest creditor holding Class 1-2 Claims,<sup>1</sup> the Missouri Property and Casualty Insurance Guaranty Association ("**MIGA**").
- b. Payment of all allowed Class 2 claims besides MIGA's Class 1-2 claims.

3. In addition, and as approved in the Distribution Order, the Liquidator has arranged for contingent early access distributions to be made to MIGA in further satisfaction of its claims against the Estate through assignment of the Liquidator's rights to recovery in the Trout Assignment and the Bar Plan Claims, as detailed in the Liquidator's Claims Report.

4. In addition to completing the cash distributions, the only remaining anticipated tasks to liquidate the Estate are the filing of final tax returns, obtaining a federal release of claims against PSIC and the Liquidator, monitoring of the Bar Plan Claims for potential payment of creditor claims from the proceeds of those claims, appropriate storing and destruction of PSIC records, and final closing reports and other activities depending upon the outcome of the Bar Plan Claims ("**Closing Activities**").

5. The Closing Activities could take months (or more) to complete, especially since the Bar Plan Claims may be in litigation and the federal release of claims must be negotiated with the U.S. Department of Justice, which can take years.

6. The Liquidator proposes that the Court enter an order that administratively closes the PSIC Estate with the following terms:

- a. **Effective Date.** The administrative closure of PSIC becomes effective on December 30, 2025. At that time, all distributions of PSIC's remaining assets, including payment to all approved Class 1-2 creditors and the completed

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<sup>1</sup> There are no other third-party Class 1 claimants besides MIGA.

transfer of prepayment costs as contemplated in paragraph b, below, will be complete.

- b. **Prepayment of Costs for Closing Activities.** Anticipated costs for the remaining Closing Activities in the total amount of approximately \$500,000 shall be prepaid and placed in the trust account at law firm of the Liquidator's counsel, Horn, Aylward & Bandy, LLC ("**HAB**"). The amount to be transferred to the HAB trust account will be funds remaining after payment of Class 1 and 2 claims and the early access distribution to MIGA, previously approved by this Court. The Liquidator believes this is a reasonable amount to cover anticipated administrative expenses for the Closing Activities. HAB will account for the prepaid retainer by providing an accounting to the Liquidator as requested. Invoices for Closing Activities shall be directed to HAB with a copy to the Liquidator or the Liquidator's designee.
- c. **Reduction of Tax Reporting and Tax Obligations.** After prepaying the expenses for Closing the Activities, the Estate would no longer have any assets, income, or expenses. The Liquidator would therefore intend to file a final tax return for year ended 2025, accounting for these activities, after which there would be no tax reporting obligation (or taxable events) absent further developments. This would reduce the Estate's tax associated expenses.
- d. **Suspension of Liquidator's Reports to the Court.** Under 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), the Liquidator currently

provides status reports to the Court at least every six months. The Liquidator requests that this reporting be suspended until such time as the Closing Activities have concluded, at which time the Liquidator would file her final status report and final motion(s).

- e. **Final Reports and Other Motions.** As mentioned, the Liquidator will file her final status report and other final motions at or near the completion of the Closing Activities. Depending upon the outcome of the Bar Plan Claims,<sup>2</sup> additional creditor distributions may be warranted. Accordingly, the Liquidator may need to file a motion to re-open the estate for further claims proceedings and associated activities before final closure of the Estate.

7. This proposal is in the best interest of the Estate and its creditors because it will significantly reduce the Estate's administrative costs, while at the same time maximizing the potential for further recovery by creditors depending upon the outcome of the Bar Plan Claims.

WHEREFORE, the Liquidator respectfully requests the Court enter an Order:

- a. Approving the administrative closure of the PSIC Estate, effective December 30, 2025;
- b. Approving the Liquidator's prepaid administrative expenses in the amount of approximately \$500,000, to be held in HAB's trust account, to be used, and accounted for by HAB, for the Estate's remaining administrative expenses, with any excess funds to be paid to MIGA as an early access distribution;

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<sup>2</sup> 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.

- c. Suspending the Liquidator's reporting obligations under the Procedural Order and K.S.A. 40-3622(d) until the Liquidator's final report and any related motion(s); and
- d. Granting all other relief this Court deems just and proper.

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 December 19, 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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