

Frequently Asked Questions

1. What happened to Physicians Standard Insurance Company?

The Board of Directors of Physicians Standard Insurance Company (“PSIC”) consented to an Order for Rehabilitation (“Order”), which the Shawnee County District Court in Topeka, Kansas (“Court”), issued on August 21, 2019, pursuant to a petition filed by the Kansas Insurance Commissioner, Vicki Schmidt (“Commissioner”). The Commissioner took action after determining that PSIC’s financial condition had deteriorated to the point that Kansas Insurance Department (“Department”) needed to act to protect the policyholders of PSIC.

The Court appointed the Commissioner as Rehabilitator.

Please refer to the Kansas Insurance Department web site <https://www.ksinsurance.org/department/LegalIssues/PSIC-Rehabilitation.php> to review important information from the Department, including the Order.

2. I am a Missouri insured so why is Kansas involved?

PSIC is a Kansas domestic insurance company. That means it was organized under the laws of the State of Kansas. PSIC operates in both Kansas and Missouri, but as a Kansas stock insurance company, PSIC falls under the jurisdiction of the Kansas Insurance Department.

3. What is the current financial condition of Physicians Standard Insurance Company?

The Order, and the Board of Director’s consent to the rehabilitation, is an effort to reform and revitalize PSIC and to protect the policyholders. PSIC’s financial condition has deteriorated since 2018. Rehabilitation allows the Commissioner to address issues that contributed to the deteriorating financial condition under Court supervision. The Order specifically provides that PSIC shall not be considered insolvent while involved in rehabilitation efforts.

4. What is rehabilitation and what is the role of the Kansas Insurance Department?

Rehabilitation is a Court ordered proceeding, used in conjunction with regulatory oversight of the Kansas Insurance Department, in an effort to extend protections to policyholders that are not available to companies in the normal course of business. Rehabilitation is a statutory process used as an effort to correct any number of potential issues identified by the Commissioner. In this case, rehabilitation was consensual, meaning that the Board of Directors of PSIC consented to it. The Order, in part, allows the Commissioner and her special deputies to:

- take possession and title of PSIC;
- stay or petition for stay of all actions or proceedings in which PSIC is a party or is defending a party;
- modify or cancel any contracts or agreements not in the best interest of PSIC;
- appoint special deputies or assistants to carry out the Order;
- pay outstanding debts owed by PSIC to professional entities hired by PSIC or the Commissioner;

- assume full power of the officers, managers, and directors of PSIC, with full power to direct, manage, hire or discharge any employees
- assume full power to deal with property and business of PSIC;
- seek all other relief the Commissioner deems necessary to preserve and protect the assets of PSIC, including the authority to seek stay or compromise of litigation pending;
- avoid and recover fraudulent transfers;
- pursue appropriate legal actions and remedies on behalf of PSIC and its policyholders and creditors;
- fulfill and perform all duties under the Kansas Insurers Supervision, Rehabilitation and Liquidation Act, K.S.A. 40-3605, *et seq.*

5. Who is running the company?

Kansas Insurance Commissioner Vicki Schmidt, as Court appointed Rehabilitator, has replaced the management of PSIC. The Commissioner will use the experience of staff and resources outside of the Department to operate PSIC. Customer service and operations of the company will continue during this time.

6. Is my policy still in effect?

Yes, the current insurance policies remain in-force as long as policyholders continue to pay their premiums when due. PSIC will also work with policyholders to renew existing policies. PSIC will continue to service policyholder claims, and policyholders should continue to file claims per past procedures.

7. Why is PSIC in rehabilitation and not liquidation?

A successful rehabilitation means PSIC will continue to do business with little to no interruption in normal activities or inconvenience to policyholders. At this early stage in the rehabilitation effort, the Commissioner and the Department believe it is reasonable to work toward the development of a plan of rehabilitation. Based on current information, the Commissioner believes a successful rehabilitation is possible. Liquidation would only occur if rehabilitation was unsuccessful.

8. What is liquidation and what would liquidation mean for me?

If rehabilitation does not succeed, then the Commissioner would petition the Court to have PSIC placed into liquidation. Liquidation would mean the insurer is either insolvent or in such condition that further transaction of business would be hazardous, financially or otherwise, to its policyholders, creditors, or the public.

Under an Order for Liquidation, the Court would direct the Commissioner to take possession of the assets of the insurer and to administer those assets under supervision of the Court. The Commissioner would use the assets to pay policyholder claims and PSIC creditors.

The policies in effect at the time of the liquidation would continue until 30 days from the date of the Order unless the policy coverage expired, the insurer replaced their coverage with another insurer, or the Commissioner transferred the policy.

In the event of a liquidation, it is possible state guaranty associations would cover some of the claims and policyholders. However, state guaranty association impose limits and exemptions to coverage, subject to state law. For example, total aggregate benefits provided by some state guaranty associations are capped at \$300,000.

In the event of liquidation, the Commissioner will notify policyholders.

9. How long will Rehabilitation last?

The Commissioner will continue to work to rehabilitate PSIC as long as it continues to be in the best interests of the policyholders and consumers to develop 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 contains certain milestones, such as a report to the Court after 120-days of entry of the Order. But rehabilitation will last as long as it is feasible to do so or until the Commissioner determines it is in the best interest of the policyholders to end the rehabilitation.

10. I do vendor or contract work for PSIC, where do I send my invoices?

Please send your invoices to kid.psic@ks.gov. Please provide as much information as possible to identify the work you have done. Additionally, continue to bill your invoice to Physicians Standard Insurance Company.

11. Where can I get more information?

You can find the Order of Rehabilitation, letter to PSIC policyholders, and contact information at <https://www.ksinsurance.org/departments/LegalIssues/PSIC-Rehabilitation.php>.