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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. 2025 CV 151
)	
vs.)	
)	
KEY INSURANCE COMPANY,)	
)	
Respondent.)	

SECOND SEMI-ANNUAL REPORT

COMES NOW Commissioner of Insurance, Vicki Schmidt, in her capacity as Liquidator (“**Liquidator**”) of Key Insurance Company (“**Key**”), 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 KSA 40-3605 *et seq.* (the “Act”), submits this Second Semi-Annual Report (“**Report**”).

Key has been in liquidation since April 1, 2025. With assistance from the Special Deputy Receiver (“**SDRs**”), consultants and staff, the Liquidator continues marshalling assets, reducing expenses and assessing ultimate liabilities.

This Report provides an update to the Court, as required by the Liquidation Order, since the Liquidator’s First Semi-Annual Report. This Report also provides Key’s financial balance sheet as of December 31, 2025. This Report is based only on the knowledge that the Liquidator and her staff have gained from the work performed since Key was placed into receivership. 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.

A. Background

Details regarding Key’s background, insurance products and related practices, including underwriting, were provided in the Liquidator’s First Semi-Annual Report.

B. State Guaranty Associations

At the Liquidation Date, Key had open claims in Alabama, Kansas, Nevada and Oklahoma. As a result of the finding of insolvency in the Liquidation Order, the affected State Guaranty Associations¹ (“**SGAs**”) where Key was authorized to write business became obligated to pay certain claims related to Key’s insurance policies. The Liquidator and the SGAs have worked

¹ Alabama, Kansas, Nevada and Oklahoma.

together to ensure that all policy and claim information was transmitted to the SGAs consistent with the NAIC's Uniform Data Standards ("UDS") Operations Manual.

The SGAs have been diligently processing all unearned premium claims and policy claims, and reporting claim and expense payments to the Liquidator via UDS records. The Liquidator's staff continues to work with the SGAs to resolve policy and policyholder questions.

C. Operations

The Liquidator continues to evaluate resource costs and needs and reducing expenses.

As of June 30, 2025, Key had five employees all of whom work remotely. As of December 31, 2025 (and currently) has three employees. Key continues using IT and HR consultants. The SDRs will continue to monitor staffing needs.

The majority of Key's records are maintained electronically. The Liquidator continues to maintain hard-copy boxes of documents through a Memorandum of Understanding with Med James Inc., and at a storage facility in Nevada. The Liquidator will review the usefulness of such documents to the Estate after all Proofs of Claim have been processed and determinations made.

D. Accounting

Pursuant to the Liquidation Order, the Liquidator submits to the Court a list of assets, and a statement of assets and liabilities, as of December 31, 2025. *See* Statement of Assets and Liabilities, attached hereto as **Exhibit A**. Although the Liquidator has been receiving UDS records from the SGA, the Liquidator notes that many line-items in the Statement of Liabilities are estimated at this time due to the status of open claims and reporting from the SGAs.

E. Proof of Claim Process

In the Liquidation Order, the Court approved a form of Proof of Claim and set a Bar Date of April 1, 2026. The Liquidator published the Liquidation Notice as set forth in the Liquidation Order, and mailed Liquidation Notices to known creditors or potential creditors. As of the Bar Date, the Liquidator has received 1,429 Proofs of Claim. When Proofs of Claim are received, Key staff ensures they are completed correctly, and enters each on a log. The Liquidator is developing a review process through which the Proofs of Claim will be categorized by priority class and investigated as needed, after which she will submit her claim determinations to the Court for review and approval, disapproval or modification, pursuant to KSA § 40-3642.

WHEREFORE, the Liquidator submits this Second Semi-Annual Report of Key.

Respectively submitted,

/s/ Steven A. Karrer

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Vicki Schmidt, Commissioner of Insurance

KEY INSURANCE COMPANY IN LIQUIDATION
STATEMENT OF ASSETS
31-Dec-25

ASSETS:

Type of Asset	Subtotal Column	Total
Cash		11,350,729
Short-term Investments		-
Deposits Held for States	1,715,879	
MVA on State Deposits	(13,147)	
Total State Deposits		<u>1,702,732</u>
 Bonds:		
Investment Bonds	37,422,452	
MVA on Bonds	(1,080,926)	
Total Bonds		<u>36,341,526</u>
 Recoverable from Reinsurers:		
Paid Losses		
Known Case Loss Reserves		
Retro Reinsurance Ceded		
Total Recoverable from Reinsurers		(386)
 Salvage and Subrogation Recoverables		
Premiums Due and Accrued		
Agent's Balances		
Receivable from Affiliates		60,311
Accrued Investment Income		281,404
 Other Assets:		
Auto Data Direct Prefunded Acct	18	
Any applicable MVA or adj. for uncollectible		
Total Other Assets		<u>18</u>
 Total Assets		<u>49,736,335</u>
 Restricted Assets		
Market Value of State Deposits		<u>1,702,732</u>
 Total Unrestricted Assets		<u><u>48,033,603</u></u>

KEY INSURANCE COMPANY IN LIQUIDATION
STATEMENT OF ASSETS AND LIABILITIES
31-Dec-25

LIABILITIES:

Type of Liability	Subtotal Column	Total
Secured claims		
Class 1 Administrative Claims:		
General Admin. Estimated Expenses*	1,500,000	
Guaranty Association Reported DCC Expenses	133,962	
Guaranty Association Estimated DCC Expenses*	500,000	
Total Class 1 Claims		2,133,962
Class 2 Policy Benefit Claims:		
Guaranty Association Paid Claims (Loss & LAE)	3,462,117	
Key Allowed POC		
Guaranty Association Claim Reserves	29,094,806	
Guaranty Association Reported Expenses	243,728	
Unearned Premium**	124,227	
Guaranty Association Estimated Expenses*	5,000,000	
Total Class 2 Claims		37,924,878
Other Liabilities:		
Class 3 Federal Government		-
Class 4 Employee Compensation		-
Class 5 General Creditor Claims:		
Commissions (Net)	72,770	
Reinsurance Ceded	30,523	
Other	418,414	
Subrogation *	25,000,000	
Total Class 5 Claims		25,521,707
Class 6 State & Local Government		424,213
Class 7 Late Filed		
Class 8 Surplus Notes		1,500,000

Class 9 Ownership Related - Capital Stock	<u>2,500,000</u>
Total Liabilities	<u>70,004,760</u>
Excess (Deficiency) of Assets Over Liabilities	<u>(20,268,426)</u>
Total	<u>49,736,334</u>

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

*** In process of being determined**

**** These amounts are per company -GAs have not yet provided.**