

IN THE CIRCUIT COURT OF COLE COUNTY, MISSOURI

CHLORA LINDLEY-MYERS, Director, Department of Insurance, Financial Institutions and Professional Registration, State of Missouri)	
)	
Petitioner,)	
)	Case No. 17AC-CC00005
v.)	
)	
GALEN INSURANCE COMPANY,)	
)	
Respondent,)	
)	
and)	
)	
MISSOURI PROFESSIONALS MUTUAL- PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION,)	
)	
)	
Intervenor.)	

**FIRST AMENDED VERIFIED PETITION FOR JUDGMENT,
DECREE AND FINAL ORDER OF LIQUIDATION**

COMES NOW Chlora Lindley-Myers, in her official capacity as Director of the Department of Insurance, Financial Institutions and Professional Registration of the State of Missouri, by and through the undersigned counsel, and pursuant to section 375.1175, RSMo (Supp. 2013), petitions this Court for a Judgment, Decree and Final Order of Liquidation, authorizing the liquidation of Galen Insurance Company. In support of this Petition, the Director states as follows:

I. General Allegations

1. Petitioner Chlora Lindley-Myers is the Director of the Department of Insurance, Financial Institutions and Professional Registration of the State of Missouri (together with her predecessor John M. Huff in his official capacity, "Director" of the "Department").

2. Respondent Galen Insurance Company (“Galen”) is a Missouri-domiciled Chapter 379 property and casualty stock insurance company, authorized to write a single line of insurance business, liability, pursuant to section 379.010.1(2), RSMo (2000). Galen’s statutory home office and main administrative office is located at 231 S. Bemiston, Suite 1000, Clayton, MO 63105.

3. Venue of this action in Cole County, Missouri is authorized by section 375.1154.6, RSMo (2000).

II. Background

4. Galen was organized as a Missouri corporation on or about December 8, 2004, for the purpose of providing medical malpractice insurance to physicians, medical professionals and stand-alone surgical centers on a claims-made basis (Certificate of Incorporation I00626573, NAIC #12361).

5. Galen was first licensed as a property and casualty insurance company in Missouri under Chapter 379, RSMo by the Department on December 14, 2005.

6. Galen has 1,000,000 shares of \$2.50 par value common stock authorized with 445,000 shares issued and outstanding. All shares are owned by the parent, Galen Insurance Management Company, Inc. (“GIMC”), a Missouri corporation organized on December 18, 2002 (Certificate of Incorporation 00515959).

7. Dr. George R. Schoedinger, III (“Dr. Schoedinger”), directly or indirectly owns approximately 47.08% of GIMC, and with his role as administrator of Galen Equities, LLC, collectively possesses voting control over approximately 69.91% of GIMC.

8. Galen has no employees. Galen and GIMC are party to a management services agreement, most recently amended in March of 2013, whereby GIMC provides all staff and

services to Galen. The management services agreement provides for the allocation of costs between the two companies. A true and correct copy of the Amended Management Services Agreement is attached hereto as Exhibit 1 and incorporated herein by reference.

9. Galen is currently licensed to provide medical malpractice liability insurance in Missouri, New Jersey, Kansas, and Maryland. Policies are written on a 12-month, claims-made basis with typical limits of \$1,000,000 per claim and \$3,000,000 in aggregate.

10. On June 8, 2016, Galen entered into a Consent Order with the Florida Office of Insurance Regulation whereby Galen agreed to voluntarily surrender its certificate of authority to transact insurance business in Florida.

11. On July 14, 2016, the Illinois Department of Insurance revoked Galen's certificate of authority to transact insurance business in Illinois. Galen requested a hearing on the Illinois Order of Revocation, which has not yet been held at the time of filing of this Verified Petition for Judgment, Decree and Final Order of Liquidation. A true and correct copy of the Illinois Order of Revocation is attached hereto as Exhibit 2 and incorporated herein by reference.

12. Missouri law, specifically section 379.010.2, RSMo (2000), requires a single-line property and casualty stock insurance company to have and maintain "paid in capital of at least eight hundred thousand dollars and a surplus of at least eight hundred thousand dollars" in order to write new or renewal insurance business in Missouri.

13. Galen does not currently hold sufficient capital and surplus to write any new or renewal insurance business in Missouri without violating section 379.010.2, RSMo (2000).

14. Galen does not currently hold sufficient capital and surplus to write any new or renewal insurance business in any state where it is currently licensed.

15. Galen has not written a new insurance policy in Missouri since on or about July 13, 2016, and has not written a new insurance policy in any state since on or about July 19, 2016.

16. Galen has not written a renewal insurance policy in Missouri or any other state since on or about August 19, 2016.

17. As of December 5, 2016, Galen has 119 policies in force, excluding tail coverage, all of which will expire on or before November 29, 2017, with the last Missouri insurance policy expiring on September 15, 2017.

III. Administrative Supervision

A. Procedural History

18. On September 30, 2015, the Division of Insurance Company Regulation of the Department filed a Petition for Administrative Supervision of Galen Insurance Company (“Petition for Supervision”) with the Director’s office. A true and correct copy of the Petition for Supervision, without exhibits, is attached hereto as Exhibit 3 and incorporated herein by reference.

19. Also on September 30, 2015, the Director issued his Notice and Order of Administrative Supervision (“Order of Supervision”), a valid order of the Director under section 375.1160, RSMo (Supp. 2013). A true and correct copy of the Order of Supervision is attached hereto as Exhibit 4 and incorporated herein by reference.

20. On November 25, 2015, the Order of Supervision was extended up to and including January 8, 2016. The Director found that Galen had failed to comply with 13 of the 17 requirements. A true and correct copy of the Order of Extension of Administrative Supervision is attached hereto as Exhibit 5 and incorporated herein by reference.

21. On January 6, 2016, the Order of Supervision was extended up to and including March 11, 2016. The Director found that Galen had failed to comply with 13 of the 17 requirements. A true and correct copy of the Second Order of Extension of Administrative Supervision is attached hereto as Exhibit 6 and incorporated herein by reference.

22. On March 10, 2016, the Order of Supervision was extended up to and including May 31, 2016. The Director found that Galen had failed to comply with 11 of the 17 requirements. A true and correct copy of the Third Order of Extension of Administrative Supervision is attached hereto as Exhibit 7 and incorporated herein by reference.

23. On May 27, 2016, the Order of Supervision was extended up to and including June 30, 2016. The Director found that Galen had failed to comply with 12 of the 17 requirements. A true and correct copy of the Fourth Order of Extension of Administrative Supervision is attached hereto as Exhibit 8 and incorporated herein by reference.

24. On June 30, 2016, the Order of Supervision was extended up to and including August 1, 2016. The Director found that Galen had failed to comply with 12 of the 17 requirements. A true and correct copy of the Fifth Order of Extension of Administrative Supervision is attached hereto as Exhibit 9 and incorporated herein by reference.

25. On August 1, 2016, the Order of Supervision was extended up to and including September 1, 2016. The Director found that Galen had failed to comply with 12 of the 17 requirements. A true and correct copy of the Sixth Order of Extension of Administrative Supervision is attached hereto as Exhibit 10 and incorporated herein by reference.

26. On September 1, 2016, the Order of Supervision was extended up to and including October 3, 2016. The Director found that Galen had failed to comply with 12 of the 17

requirements. A true and correct copy of the Seventh Order of Extension of Administrative Supervision is attached hereto as Exhibit 11 and incorporated herein by reference.

27. On October 3, 2016, the Order of Supervision was extended up to and including November 14, 2016. The Director found that Galen had failed to comply with 11 of the 17 requirements. A true and correct copy of the Eighth Order of Extension of Administrative Supervision is attached hereto as Exhibit 12 and incorporated herein by reference.

28. On November 14, 2016, the Order of Supervision was extended up to and including December 30, 2016. The Director found that Galen had failed to comply with 11 of the 17 requirements. A true and correct copy of the Ninth Order of Extension of Administrative Supervision is attached hereto as Exhibit 13 and incorporated herein by reference.

29. On December 28, 2016, the Order of Supervision was extended up to and including March 3, 2017. The Director found that Galen had failed to comply with 11 of the 17 requirements. A true and correct copy of the Tenth Order of Extension of Administrative Supervision is attached hereto as Exhibit 14 and incorporated herein by reference.

B. Grounds for Administrative Supervision

30. The Director based the Order of Supervision, in part, on the following conduct, conditions, and grounds:

- a. The rapid reduction in Galen's policyholder surplus;
- b. The relationship between former Professional Liability Insurance Company of America ("PLICA") management and Galen, as well as the operational similarities between PLICA and Galen;
- c. The relationship between Howard A. Wittner, convicted of three insurance-related felonies, and Galen;

d. The corporate governance of Galen, as detailed in paragraph 4.(A)(4) of the Order of Supervision;

e. The downgrade of Galen and its subsequent withdrawal from the A.M. Best rating system; and

f. The provision of insurance by Galen without the proper authority.

See Exhibit 4.

C. Progress Made Toward Satisfying Order of Supervision

31. In late October of 2015, Galen withdrew its Uniform Certificate of Authority Application Expansion Application (“UCAA Application”) submitted on or about August 10, 2015, thereby complying with requirement 2.(K) of the Order of Supervision.

32. Twenty-six (26) different individuals have been members of the Galen board of directors since March 31, 2015, but at the time of filing of this Verified Petition for Judgment, Decree and Final Order of Liquidation, the board of directors of Galen is comprised of nine members, which is the minimum number of directors required by Galen’s articles of incorporation. Galen is therefore currently in compliance with requirement 2.(M) of the Order of Supervision.

33. Galen solicited bids for the management of its claims in the spring of 2016, provided the Director with the results of that solicitation, and subsequently contracted with STL Law Group, Inc. in June of 2016. The Director found that Galen has complied with requirement 2.(N) of the Order of Supervision.

34. The Director is without sufficient information to determine if Galen has complied or failed to comply with requirements 2.(E), 2.(F), and 2.(O) of the Order of Supervision during the period of supervision.

35. Galen has failed to comply with the remaining 11 requirements of the Order of Supervision during the 15 months of administrative supervision, specifically requirements 2.(A), 2.(B), 2.(C), 2.(D), 2.(G), 2.(H), 2.(I), 2.(J), 2.(L), 2.(P), and 2.(Q).

D. Deterioration of Financial Condition of Galen During Supervision

36. At the time of the issuance of the Order of Supervision, Galen's most recently filed quarterly financial statement reflected surplus as regards policyholders of \$5,462,903, including \$1,112,500 of capital and \$4,350,403 of surplus, as of June 30, 2015. A true and correct copy of the Quarterly Statement as of June 30, 2015 of the Condition and Affairs of the Galen Insurance Company is attached hereto as Exhibit 15 and incorporated herein by reference.

37. On or about December 2, 2015, Galen filed a quarterly financial statement with the Department that reflected surplus as regards policyholders of \$6,281,647, including \$1,112,500 of capital and \$5,169,147 of surplus, as of September 30, 2015. A true and correct copy of the Quarterly Statement as of September 30, 2015 of the Condition and Affairs of the Galen Insurance Company is attached hereto as Exhibit 16 and incorporated herein by reference.

38. On or about June 1, 2016, Galen filed its audited financial report for the year ended December 31, 2015 ("2015 Galen Audited Financial Report") with the Department, as required by section 375.1030.1, RSMo (Supp. 2013). The 2015 Galen Audited Financial Report reflected total capital and surplus of \$1,704,389, including \$1,112,500 of capital and \$591,889 of surplus. A true and correct copy of the 2015 Galen Audited Financial Report is attached hereto as Exhibit 17 and incorporated herein by reference.

39. On or about May 13, 2016, Galen filed a quarterly financial statement with the Department that reflected surplus as regards policyholders of \$1,802,477, including \$1,112,500 of capital and \$689,977 of surplus, as of March 31, 2016. A true and correct copy of the

Quarterly Statement as of March 31, 2016 of the Condition and Affairs of the Galen Insurance Company is attached hereto as Exhibit 18 and incorporated herein by reference.

40. On or about August 4, 2016, Galen filed an amended quarterly financial statement with the Department as of March 31, 2016, incorporating independent auditor adjustments from its annual filing. This amended filing reflected surplus as regards policyholders of \$1,047,650, including \$1,112,500 of capital and \$(64,850) of surplus, as of March 31, 2016. A true and correct copy of the amended Quarterly Statement as of March 31, 2016 of the Condition and Affairs of the Galen Insurance Company is attached hereto as Exhibit 19 and incorporated herein by reference.

41. On or about August 17, 2016, Galen filed a quarterly financial statement with the Department that reflected surplus as regards policyholders of \$1,247,259, including \$1,112,500 of capital and \$134,759 of surplus, as of June 30, 2016. A true and correct copy of the Quarterly Statement as of June 30, 2016 of the Condition and Affairs of the Galen Insurance Company is attached hereto as Exhibit 20 and incorporated herein by reference.

42. On or about November 15, 2016, Galen filed a quarterly financial statement with the Department that reflected total admitted assets of \$11,923,347, total liabilities of \$11,944,711, and negative surplus as regards policyholders of \$(21,363), including \$1,112,500 of capital and \$(1,133,863) of surplus, as of September 30, 2016. A true and correct copy of the Quarterly Statement as of September 30, 2016 of the Condition and Affairs of the Galen Insurance Company is attached hereto as Exhibit 21 and incorporated herein by reference.

43. On December 15, 2016, Galen Chief Financial Officer Marie Nelson provided the Department with a Galen financial statement as of November 30, 2016. This statement reflected total admitted assets of \$9,999,470, total liabilities of \$10,148,991, and negative surplus as

regards policyholders of \$(149,521), including \$1,112,500 of capital and \$(1,262,021) of surplus. A true and correct copy of the November 30, 2016 Galen financial statement is attached hereto as Exhibit 22 and incorporated herein by reference.

44. From the date of issuance of the Order of Supervision, September 30, 2015, Galen's surplus has decreased by \$6,431,168, or 124.4%, in 14 months.

E. Efforts of Galen Management to Comply with the Order of Supervision and Improve the Financial Condition of Galen

45. From September 30, 2015, through February 26, 2016, minimal progress was made toward compliance with the Order of Supervision beyond the withdrawal of the UCAA Application and periodic compliance with the requirement to have at least a nine-member board of directors.

46. Dr. Schoedinger's efforts to satisfy other requirements of the Order of Supervision prior to February 26, 2016 included asking the current contractor for management of Galen claims to solicit hourly rates for insurance defense litigation, rather than soliciting competitive bids for claims management, and multiple attempts to engage Greg Wittner as a contractor with comparable compensation prior to his resignation as an employee, followed by efforts to provide Greg Wittner with a severance package in contravention of the Employee Handbook in order to guard against "disparagement."

47. Beginning no later than October 1, 2015, Dr. Schoedinger and representatives of Missouri Professionals Mutual-Physicians Professional Indemnity Association ("MPM-PPIA") engaged in discussions of a possible merger or acquisition.

48. During the course of due diligence, MPM-PPIA was provided with a copy of the Order of Supervision in October of 2015.

49. Dr. Schoedinger and MPM-PPIA representatives engaged in further discussion of a possible merger or acquisition in February of 2016, including a meeting on February 24, 2016 attended by at least Dr. Schoedinger and Jonathan Downard, Executive Director of MPM-PPIA.

50. Dr. Schoedinger resigned as President, Chief Executive Officer, and Chairman of the boards of directors of GIMC and Galen on February 26, 2016. A true and correct copy of the letter of resignation is attached hereto as Exhibit 23 and incorporated herein by reference.

51. Jack Frye assumed the role of Interim Chief Executive Officer of GIMC and Galen on February 26, 2016, in addition to his duties as Chief Underwriter, without receiving any additional salary or benefits.

52. Following the events of February 26, 2016, Jack Frye and Marie Nelson, Chief Financial Officer, took steps to reduce expenses and sought capital contributions from multiple sources. Cooperation and collaboration between the Department and Galen greatly improved.

53. MPM-PPIA continued to pursue a possible merger or acquisition following Dr. Schoedinger's resignation, providing Jack Frye and Marie Nelson with a revised Memorandum of Understanding on March 10, 2016.

54. On April 19, 2016, Department Examiner-in-Charge Robert Jordan was copied on an email from Sean DeVore to Marie Nelson and Jack Frye which purported to call for a meeting of the shareholders of both GIMC and Galen. Attached to that email were a memorandum calling for said meeting from Jonathan Downard and two stock proxies signed by Dr. Schoedinger assigning the voting rights of his own shares and the shares of Galen Equities, LLC to Jonathan Downard. A true and correct copy of the April 19, 2016 email with its three attachments is attached hereto as Exhibit 24 and incorporated herein by reference.

55. The April 19, 2016 stock proxies and call for a meeting of the shareholders of GIMC and Galen, if effective, constituted an improper acquisition of control of Galen, pursuant to sections 382.010(2) and 382.040.1, RSMo (Supp. 2015).

56. These concerns were raised with Jonathan Downard, who subsequently agreed through counsel that the proxies were not in effect at the time of the April 19, 2016 email, and that there had been no effective call for a shareholders meeting of Galen.

57. On May 11, 2016, Jack Frye received a letter from Greg Roberts, who purported to be “the proxy holder for more [than] one-fifth of all outstanding shares of [GIMC], the holder of all the outstanding shares of [Galen].” The letter and its attachments called for a meeting of the shareholders of both GIMC and Galen. A true and correct copy of the May 11, 2016 letter with its attachments is attached hereto as Exhibit 25 and incorporated herein by reference.

58. The Department again raised concerns regarding an illegal acquisition of control of Galen through the execution of the proxies, but meetings of the shareholders of both GIMC and Galen were nonetheless held on May 25, 2016, immediately followed by a meeting of the board of directors of GIMC (the “May 25, 2016 Meetings”). True and correct copies of the May 25, 2016 GIMC shareholders meeting minutes, May 25, 2016 Galen shareholder meeting minutes, and May 25, 2016 GIMC board of directors meeting minutes are attached hereto as Exhibits 26, 27, and 28, and incorporated herein by reference.

59. At the May 25, 2016 GIMC board of directors meeting, Mark Vincent was appointed Chief Executive Officer of GIMC, followed immediately by a presentation from MPM-PPIA to the new board of GIMC.

60. Mark Vincent was a member of the board of directors of MPM-PPIA until May 14, 2016.

61. Upon information and belief, Mark Vincent remains on the board of directors of Physicians Re, Inc., a majority-owned subsidiary insurance company of MPM-PPIA.

62. At the July 12, 2016 hearing in *Huff v. Galen Insurance Company*, Cole Co. Cir. Ct., Case No. 16AC-CC0250, Mark Vincent identified the number of employees, the reinsurance treaty needing to be replaced, the expensive lease, high expenses, the transfer of money from surplus to reserves, and the lack of claims committee meeting minutes as Galen mismanagement that he would address if he were approved to manage Galen.

63. On September 12, 2016, Mark Vincent requested supervisory approval of nine proposed board members, requested that the Department authorize \$20,000 to pay board members for past and future board meetings, and requested that the Department authorize \$20,000 to pay his own salary as Chief Executive Officer of GIMC.

64. Mark Vincent was approved by Department administrative supervisors as Chief Executive Officer of Galen, and appointed on September 26, 2016. Since that time, Mark Vincent has repeatedly sought payments for members of the Galen board of directors and himself, actions which would increase the expenses of Galen if approved. Mark Vincent has also sought administrative supervisor approval to reimburse GIMC expenses with Galen funds.

65. Galen's reinsurance was cancelled by the reinsurers effective October 1, 2016. Mark Vincent has not sought to procure replacement reinsurance since that time, and Galen remains without reinsurance for claims incurred on or after October 1, 2016.

66. Galen sub-leases office space from GIMC. Mark Vincent has been Chief Executive Officer of GIMC since May 25, 2016, but has not yet taken any action to modify or terminate the lease.

67. On December 7, 2016, Mark Vincent attended a Galen staff meeting, along with Robert Jordan and Scott Reeves of the Department. Mark Vincent announced his intentions to, among other things, liquidate and move all of Galen's assets to banks that will pay 0.4% interest, and hire an actuary to lower Galen's reserves.

68. Exhibit 21, which was signed by Mark Vincent as Chief Executive Officer prior to the December 7, 2016 Galen staff meeting, demonstrates that Galen has earned net investment income during calendar year 2016 far in excess of the investment income that would be generated by Mark Vincent's plans.

69. At the time of filing of this Verified Petition for Judgment, Decree and Final Order of Liquidation, Mark Vincent has not attended a single weekly claims meeting since being appointed Galen's Chief Executive Officer on September 26, 2016.

70. Galen Chief Financial Officer Marie Nelson has prepared monthly financial statements at the request of the administrative supervisors since July of 2016. Upon information and belief, Mark Vincent and the Galen board of directors have not requested these statements or any other periodic financial information from Marie Nelson since their appointments in September of 2016.

71. Mark Vincent has rebuffed efforts by Vaughn Harris, formerly a member of the Galen board of directors and Galen's reinsurance broker, to present acquisition or capital infusion alternatives to MPM-PPIA, and went so far as to include Jonathan Downard on a call with Vaughn Harris and a potential investor.

72. At Mark Vincent's instruction, a meeting of the Galen board of directors was held on November 9, 2016, in the offices of MPM-PPIA, a competitor of Galen.

IV. *Huff v. Galen Insurance Company*, Cole Co. Cir. Ct., Case No. 16AC-CC0250

73. On June 10, 2016, the Director petitioned this Court to enter a Seizure Order pursuant to section 375.1164, RSMo (2000), and to place Galen into rehabilitation pursuant to section 375.1165, RSMo (2000). *Huff v. Galen Insurance Company*, Cole Co. Cir. Ct., Case No. 16AC-CC00250.

74. Galen had not filed a financial statement reflecting total capital and surplus below \$1,704,389 at the time of the filing of the Director's Verified Petition for Seizure Order and Rehabilitation ("Rehabilitation Petition"), and Galen was not alleged to be insolvent in that proceeding.

75. On June 13, 2016, Judge Patricia Joyce issued a Seizure Order upon the Director's Rehabilitation Petition.

76. On June 14, 2016, an Amended Seizure Order was issued by this Court. By its terms, the Amended Seizure Order was "effective until July 13, 2016, unless and until extended, terminated, or superseded by another order or judgment of this Court." A true and correct copy of the Amended Seizure Order is attached hereto as Exhibit 29 and incorporated herein by reference.

77. On July 13, 2016, this Court issued a Second Amended Seizure Order, extending the effective date of the Amended Seizure Order to August 11, 2016. A true and correct copy of the Second Amended Seizure Order is attached hereto as Exhibit 30 and is incorporated herein by reference.

78. A hearing in case number 16AC-CC00250 was originally set for June 28, 2016, and notice was provided to Galen.

79. Galen did not oppose the Director's Rehabilitation Petition; however, Galen's sole shareholder, GIMC, intervened in the proceeding and opposed the Director's Rehabilitation Petition.

80. Judge Daniel Green held a hearing on the Rehabilitation Petition on July 12 and 18, 2016.

81. On September 7, 2016, Judge Green entered a Judgment and Order denying the Director's request for an order of rehabilitation. Judge Green's Judgment and Order is currently pending appeal before the Missouri Court of Appeals, Western District, Case No. WD80155.

V. Proposed Acquisition of Galen Insurance Company by Missouri Professionals Mutual-Physicians Professional Indemnity Association

82. MPM-PPIA is a Missouri Chapter 383 malpractice association which provides medical malpractice insurance upon the assessment plan (Certificate of Incorporation N00071208, NAIC #11582).

83. On June 3, 2016, MPM-PPIA filed a Form A Statement seeking the Director's approval to acquire control of Galen pursuant to sections 382.040 to 382.060, RSMo (Supp. 2015). A public hearing concerning the proposed acquisition was set for July 1, 2016.

84. On June 22, 2016, MPM-PPIA filed its Unopposed Motion to Continue Hearing, requesting a continuance of the hearing, to be re-set at a later date upon request of the parties.

85. On September 8, 2016, MPM-PPIA filed a revised Form A Statement seeking the Director's approval to acquire control of Galen. A public hearing concerning the proposed acquisition was held on October 11, 2016.

86. On November 10, 2016, the Director issued his Findings of Fact, Conclusions of Law and Order ("Disapproval Order") disapproving the proposed acquisition of control of Galen

by MPM-PPIA. A true and correct copy of the Disapproval Order is attached hereto as Exhibit 31 and incorporated herein by reference.

87. On November 23, 2016, MPM-PPIA filed its Petition for Administrative Review requesting administrative review by trial de novo of the Disapproval Order, case no. 16AC-CC00507.

88. On April 19, 2017, MPM-PPIA dismissed its Petition for Administrative Review in case no. 16AC-CC00507.

COUNT I: LIQUIDATION

89. Petitioner incorporates the allegations contained in paragraphs 1 to 88, as if fully set forth herein.

90. Section 375.1175.1, RSMo (Supp. 2013), provides that the Director “may petition the court for an order directing him to liquidate a domestic insurer” on, *inter alia*, the following bases:

- (2) That the insurer is insolvent;
- (3) That the insurer is in such condition that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors or the public;
- (4) That the insurer is found to be in such condition after examination that it could not meet the requirements for incorporation and authorization specified in the law under which it was incorporated or is doing business[.]

91. As used in section 375.1175.1(2), RSMo (Supp. 2013), “insolvent” is defined at section 375.1152(13), RSMo (Supp. 2013), as follows:

- (a) For an insurer issuing only assessable fire insurance policies:
 - a. The inability to pay an obligation within thirty days after it becomes payable; or

b. If an assessment be made within thirty days after such date, the inability to pay such obligation thirty days following the date specified in the first assessment notice issued after the date of loss;

(b) For any other insurer, that it is unable to pay its obligations when they are due, or when its admitted assets do not exceed its liabilities plus the greater of:

a. Any capital and surplus required by law for its organization; or

b. The total par or stated value of its authorized and issued capital stock[.]

92. Pursuant to section 375.1175.1(2), RSMo (Supp. 2013), grounds for the liquidation of Galen exist because Galen is insolvent, in that its liabilities plus the capital and surplus required by law for its organization exceed its admitted assets by \$1,621,364 as of September 30, 2016, and by \$1,749,521 as of November 30, 2016.

93. Pursuant to section 375.1175.1(3), RSMo (Supp. 2013), grounds for the liquidation of Galen exist because Galen is in such condition that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors or the public:

a. Galen has not written a new insurance policy in Missouri since on or about July 13, 2016, and has not written a new insurance policy in any state since on or about July 19, 2016.

b. The Galen Chief Executive Officer and board of directors (“Current Galen Management”) have repeatedly sought to increase Galen’s payroll expenses and pay fees to the board of directors since their installation in September of 2016.

c. Current Galen Management has allowed Galen to operate without reinsurance coverage since October 1, 2016.

d. Current Galen Management has demonstrated a lack of understanding of and interest in Galen’s current financial condition and operations.

e. Galen is already operating as if it is in liquidation, but the lack of Court oversight renders its operations hazardous, financially and otherwise, to its policyholders, its creditors, and the public.

94. Pursuant to section 375.1175.1(4), RSMo (Supp. 2013), grounds for the liquidation of Galen exist because Galen cannot meet the requirements for incorporation and authorization specified in the law under which it was incorporated or is doing business, in that Galen does not possess both paid in capital of at least \$800,000 and surplus of at least \$800,000, each of which is required to commence business or make insurance under section 379.010.2, RSMo (2000).

95. Accordingly, it is in the best interests of the policyholders and creditors of Galen, and the public, that Galen be placed into liquidation pursuant to section 375.1175, RSMo (Supp. 2013).

WHEREFORE, Chlora Lindley-Myers, Director, Department of Insurance, Financial Institutions and Professional Registration of the State of Missouri, prays for the Court to make the following findings of fact:

A. Galen was organized as a Missouri corporation on or about December 8, 2004, for the purpose of providing medical malpractice insurance to physicians, medical professionals and stand-alone surgical centers on a claims-made basis (Certificate of Incorporation I00626573, NAIC #12361). Galen was first licensed as a property and casualty insurance company in Missouri under Chapter 379, RSMo by the Department on December 14, 2005;

B. Sufficient cause exists for the liquidation of Galen pursuant to section 375.1175, RSMo (Supp. 2013);

C. It is in the best interest of the policyholders and creditors of Galen and the public that Galen be placed into liquidation;

D. Galen is insolvent as defined under section 375.1152(13), RSMo (Supp. 2013), because its liabilities plus the capital and surplus required by law for its organization exceed its admitted assets;

E. Galen is in such condition that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors or the public;

F. Galen does not meet the requirements for incorporation and authorization specified in the law under which it was incorporated or is doing business; and

The Director further prays that Judgment, Decree and Final Order of Liquidation be entered against Galen as follows:

1. Order the business of Galen to be liquidated;
2. Appointing the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration and his successors in office as Liquidator of Galen (“Liquidator”), pursuant to section 375.1176, RSMo (Supp. 2013), with all the rights, duties, powers, and obligations under law and under sections 375.1150 to 375.1246, RSMo, and directing the Liquidator forthwith to take immediate possession of the assets of Galen and to administer them subject to the supervision of the Court;
3. Directing the Liquidator to liquidate Galen, pursuant to the Missouri Insurers Supervision, Rehabilitation and Liquidation Act, section 375.1150, RSMo (Supp. 2013) *et seq.*, to take such other action as the nature of this cause and the interests of the policyholders, creditors or the public may require, subject to further orders of this Court, and to make the

continued expenditure of such wages, rents and other expenses as are necessary for the administration of the liquidation of Galen's estate; and

4. Such further decrees, orders, and judgments under and within the provisions of section 375.1150, RSMo (Supp. 2013) *et seq.*, as the Court shall find advisable or necessary.

Respectfully submitted,

/s/ Kelly A. Hopper

Kelly A. Hopper, MO Bar #65976

Legal Counsel

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INDEX OF EXHIBITS

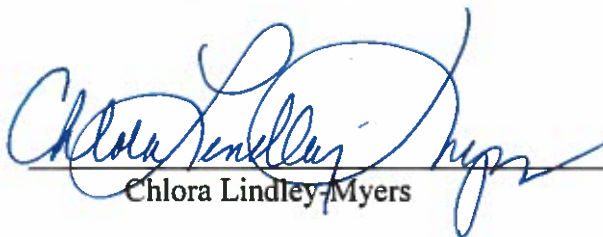
Ex.	Description	Open or Sealed
1	Amended Management Services Agreement	Open
2	Illinois Department of Insurance Order of Revocation	Open
3	Petition for Administrative Supervision of Galen Insurance Company	Open
4	Notice and Order of Administrative Supervision	Open
5	Order of Extension of Administrative Supervision	Open
6	Second Order of Extension of Administrative Supervision	Open
7	Third Order of Extension of Administrative Supervision	Open
8	Fourth Order of Extension of Administrative Supervision	Open
9	Fifth Order of Extension of Administrative Supervision	Open
10	Sixth Order of Extension of Administrative Supervision	Open
11	Seventh Order of Extension of Administrative Supervision	Open
12	Eighth Order of Extension of Administrative Supervision	Open
13	Ninth Order of Extension of Administrative Supervision	Open
14	Tenth Order of Extension of Administrative Supervision	Open
15	Quarterly Statement as of June 30, 2015 of the Condition and Affairs of the Galen Insurance Company	Open
16	Quarterly Statement as of September 30, 2015 of the Condition and Affairs of the Galen Insurance Company	Open
17	Financial Statements and Supplementary Information with Independent Auditors' Report, Years Ended December 31, 2015 and 2014 of Galen Insurance Company	Open
18	Quarterly Statement as of March 31, 2016 of the Condition and Affairs of the Galen Insurance Company	Open
19	Amended Quarterly Statement as of March 31, 2016 of the Condition and Affairs of the Galen Insurance Company	Open

20	Quarterly Statement as of June 30, 2016 of the Condition and Affairs of the Galen Insurance Company	Open
21	Quarterly Statement as of September 30, 2016 of the Condition and Affairs of the Galen Insurance Company	Open
22	November 30, 2016 Galen Financial Statement	Open
23	Dr. Schoedinger Letter of Resignation	Open
24	4/19/2016 Email from Sean DeVore with Attachments	Open
25	5/11/2016 Letter from Greg Roberts to Jack Frye with Attachments	Open
26	5/25/2016 GIMC Shareholder Meeting Minutes	Open
27	5/25/2016 Galen Shareholder Meeting Minutes	Open
28	5/25/2016 GIMC Board of Directors Meeting Minutes	Open
29	Amended Seizure Order	Open
30	Second Amended Seizure Order	Open
31	Findings of Fact, Conclusions of Law and Order, Case No. 160608301C	Open

VERIFICATION

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

I, the undersigned Chlora Lindley-Myers, swear on my oath that I am the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, that I have authorized bringing the action represented by this verified petition, and that the facts stated in this verified petition are true and accurate to the best of my knowledge, information, and belief.


Chlora Lindley-Myers

Sworn to and subscribed before me this 24th day of April, 2017.



Notary Public



KATHRYN LATIMER
My Commission Expires
March 4, 2020
Cole County
Commission #12418395

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served electronically via the Missouri CaseNet e-filing system, with a courtesy copy by electronic mail, on this 25th day of April, 2017, to:

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