

CAUSE NO. D-1-GN-19-000723

THE STATE OF TEXAS  
*Plaintiff,*

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IN THE DISTRICT COURT OF

v.

TRAVIS COUNTY, TEXAS

CAPSON PHYSICIANS INSURANCE  
COMPANY,  
*Defendant.*

250<sup>TH</sup> JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND  
SUMMARY STATEMENT OF EXPENSES  
(FEBRUARY 11, 2019 THROUGH MAY 31, 2019)**

TO THE HONORABLE DISTRICT COURT:

CANTILO & BENNETT, L.L.P., solely in its capacity as the Special Deputy Receiver of Capson Physicians Insurance Company (the “SDR” and “Capson” respectively), files this Financial Report and Summary Statement of Expenses of the Capson receivership estate for the period of February 11, 2019 to May 31, 2019. The attached report is filed pursuant to TEX. INS. CODE ANN., §§ 443.015(g) and 443.016(a) and the Court's Order Approving the SDR's Application for Approval of Fees and Expenses, entered on March 25, 2019.

The Special Deputy Receiver has served this Quarterly Financial Report to all known parties at interest, as shown in the certificate of service.

Respectfully submitted,

/s/ Greg Pierce  
Gregory A. Pierce  
State Bar No. 15994250  
P.O. Box 40  
Austin, Texas 78767  
Tel: (512) 474-2154  
[gpierce@gpiercelaw.com](mailto:gpierce@gpiercelaw.com)

-and-

Christopher Fuller  
State Bar No. 07515500  
FULLER LAW GROUP  
4612 Ridge Oak Drive  
Austin, Texas 78731  
Telephone: (512) 470-9544  
[cfuller@fullerlaw.org](mailto:cfuller@fullerlaw.org)

**Attorneys for CANTILO & BENNETT, LLP,  
Special Deputy Receiver of  
Capson Physicians Insurance Company**

**CERTIFICATE OF SERVICE**

I certify that on June 11, 2019, a true and correct copy of the foregoing *Special Deputy Receiver's Quarterly Financial Report and Summary Statement of Expenses (February 11, 2019 through May 31, 2019)* was served pursuant to the Order of Reference to Master, the Texas Rules of Civil Procedure and TEX. INS. CODE 443.007(d) on the following by email, except as specifically otherwise noted.

*Via Email:* [specialmasterclerk@tdi.texas.gov](mailto:specialmasterclerk@tdi.texas.gov)  
Special Master's Clerk  
Rehabilitation & Liquidation Oversight  
TEXAS DEPARTMENT OF INSURANCE  
PO Box 149104  
Austin, Texas 78714-9104

*Via e-Service:* [James.Kennedy@tdi.texas.gov](mailto:James.Kennedy@tdi.texas.gov)  
James Kennedy  
TEXAS DEPARTMENT OF INSURANCE  
PO Box 149104  
Austin, Texas 78714-9104

*Via Email:* [John.Alexander@tdi.texas.gov](mailto:John.Alexander@tdi.texas.gov)  
John Alexander  
Rehabilitation & Liquidation Oversight  
TEXAS DEPARTMENT OF INSURANCE  
P.O. Box 149104  
Austin, Texas 78714-9104

*Via Email:* [kathy.gartner@tdi.texas.gov](mailto:kathy.gartner@tdi.texas.gov)  
Kathy Gartner  
Rehabilitation & Liquidation Oversight  
TEXAS DEPARTMENT OF INSURANCE  
P.O. Box 149104  
Austin, Texas 78714-9104

*Via e-Service:* [Kaitlyn.Yost@oag.texas.gov](mailto:Kaitlyn.Yost@oag.texas.gov)  
Kaitlyn M. Yost  
Assistant Attorney General  
Financial Litigation Division  
OFFICE OF THE TEXAS ATTORNEY GENERAL  
P.O. Box 12548  
Austin, Texas 78711-2548  
Fax: (512) 477-2348  
*Counsel for Plaintiff State of Texas*

*Via e-Service:* [jthompson@thompsoncoe.com](mailto:jthompson@thompsoncoe.com)  
Jay A. Thompson  
THOMPSON COE  
701 Brazos, Suite 1500  
Austin, Texas 78701

Via Email: [LMeltzer@tpciga.org](mailto:LMeltzer@tpciga.org)

Via Email: [Slang@tpciga.org](mailto:Slang@tpciga.org)

Linda R. Meltzer

Sara Lang

TEXAS PROPERTY & CASUALTY INSURANCE

GUARANTY ASSOCIATION

9120 Burnet Road

Austin, Texas 78758

/s/ Greg Pierce  
Gregory A. Pierce

**Capson Physicians Insurance Company  
Statement of Expenses**

For Period February 11, 2019 to May 31, 2019

	Total Feb	Total March	Total Apr	Total May	Total Feb 11, 2019 - May 31, 2019
<b>SDR</b>					
Cantilo & Bennett, LLP					
Partner/Attorney	30,624.00	39,380.00	27,192.00	38,808.00	136,004.00
Partner/Attorney	22,264.00	35,134.00	23,232.00	33,330.00	113,960.00
Partner/Attorney	660.00	550.00	88.00	0.00	1,298.00
Partner/Attorney	22.00				22.00
Associate	15,793.00	24,004.00	19,397.00	29,104.00	88,298.00
Associate	0.00	9,571.00	20,366.00	32,691.00	62,628.00
Associate	12,818.00	16,524.00	10,489.00	12,206.00	52,037.00
Law Clerk	0.00	33.00	0.00	0.00	33.00
Expenses	944.09	1,288.99	0.00	39.78	2,272.86
<b>Total SDR Billing</b>	<b>83,125.09</b>	<b>126,484.99</b>	<b>100,764.00</b>	<b>146,178.78</b>	<b>456,552.86</b>
<b>SDR Subcontractors - Legal</b>					
Fuller Law Group					
Attorney	988.00	0.00	1,716.00	1,040.00	3,744.00
Attorney-Travel	0.00	0.00	0.00	0.00	0.00
Expenses	0.00	0.00	221.21	0.00	221.21
<b>Total Billing</b>	<b>988.00</b>	<b>0.00</b>	<b>1,937.21</b>	<b>1,040.00</b>	<b>3,965.21</b>
Inquest Resources					
Paralegal	2,632.00	440.00	456.00	1,920.00	5,448.00
Receivership Specialist I	2,856.00	2,672.00	1,496.00	2,560.00	9,584.00
Receivership Specialist II	610.00	655.00	585.00	420.00	2,270.00
Receivership Specialist II/Travel	67.50	40.00	70.00	12.50	190.00
Expenses	1,533.67	11.00	342.70	19.80	1,907.17
<b>Total Billing</b>	<b>8,403.17</b>	<b>3,818.00</b>	<b>2,949.70</b>	<b>4,932.30</b>	<b>20,103.17</b>
Greg Pierce-Attorney at Law					
Attorney	34,025.00	36,675.00	38,575.00	36,675.00	145,950.00
Expenses	108.32	6.66	3.33	3.33	121.64
<b>Total Billing</b>	<b>34,133.32</b>	<b>36,681.66</b>	<b>38,578.33</b>	<b>36,678.33</b>	<b>146,071.64</b>
<b>Total Legal Subcontractors</b>	<b>43,524.49</b>	<b>40,499.66</b>	<b>43,465.24</b>	<b>42,650.63</b>	<b>170,140.02</b>
<b>SDR Subcontractors - Other</b>					
Petrosewicz & Company, Inc					
Accountant-Principal/ C.P.A.	13,356.00	13,752.00	14,400.00	9,180.00	50,688.00
Accountant-Principal/C.P.A. Travel	1,512.00	1,512.00	504.00	504.00	4,032.00
Staff Accountant	3,801.00	3,517.50	5,061.00	6,174.00	18,553.50
Staff Accountant-Travel	294.00	294.00	0.00	0.00	588.00
Staff Accountant	136.50	136.50	283.50	325.50	882.00
Accounting Clerical Staff	10.50	14.00	0.00	0.00	24.50
Expenses	2,646.04	3,827.50	528.80	486.36	7,488.70
<b>Total Billing</b>	<b>21,756.04</b>	<b>23,053.50</b>	<b>20,777.30</b>	<b>16,669.86</b>	<b>82,256.70</b>
EMKAY Associates					
Claims Manager/ Consultant	446.50	598.50	0.00	0.00	1,045.00
Claims and IT	6,631.00	6,621.50	5,766.50	4,503.00	23,522.00
Expenses	1,676.66	0.00	0.00	0.00	1,676.66
<b>Total Billing</b>	<b>10,331.16</b>	<b>7,220.00</b>	<b>5,766.50</b>	<b>4,503.00</b>	<b>27,820.66</b>
Tharp and Associates					
Forensic Consultant	0.00	0.00	0.00	13,612.50	13,612.50
Forensic Consultant-Travel	0.00	0.00	0.00	1,012.50	1,012.50
Expenses	0.00	0.00	0.00	1,565.69	1,565.69
	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>16,190.69</b>	<b>16,190.69</b>

**Capson Physicians Insurance Company  
Statement of Expenses**

**For Period February 11, 2019 to May 31, 2019**

	Total	Total	Total	Total	Total
	Feb	March	Apr	May	Feb 11, 2019 - May 31, 2019
Milford Consulting					
Receivership Specialist I	9,632.00	18,690.00	18,816.00	16,926.00	64,064.00
Reinsurance Specialist	11,812.50	20,525.00	23,650.00	17,487.50	73,475.00
Reinsurance Specialist-Travel	0.00	937.50	0.00	0.00	937.50
Receivership Specialist III	495.00	6,858.00	10,044.00	10,278.00	27,675.00
Receivership Specialist II	0.00	609.50	1,759.50	1,794.00	4,163.00
IT Specialist	123.50	0.00	2,109.00	6,213.00	8,445.50
Expenses	1,117.57	1,654.48	0.00	7.35	2,779.40
	<b>23,180.57</b>	<b>49,274.48</b>	<b>56,378.50</b>	<b>52,705.85</b>	<b>181,539.40</b>
<b>Total Other SDR Subcontractors</b>	<b>55,267.77</b>	<b>79,547.98</b>	<b>82,922.30</b>	<b>90,069.40</b>	<b>307,807.45</b>
<b>Receivership Service Providers</b>					
The Legal Connection-SDR Related	0.00	0.00	200.00	0.00	200.00
Lakeside Mediation	0.00	0.00	0.00	1,850.00	1,850.00
Premium Collections Expense - Commissions	0.00	2,723.07	75,570.49	0.00	78,293.56
Premium Collections Expense - New Mexico Patient Compensation Fund	0.00	32,447.41	0.00	0.00	32,447.41
Premium Collections Expense - Louisiana Patient Compensation Fund	0.00	9,525.00	6,500.00	0.00	16,025.00
Premium Collections Expense - Indiana Patient Compensation Fund	0.00	3,362.00	55.00	80.00	3,497.00
Nevada IGA Dues	0.00	0.00	1,147.00	0.00	1,147.00
Investment Expense-US Bank - Custody Fees	0.00	1,061.64	375.00	2,122.64	3,559.28
Claims Expense - Non SDR	0.00	191.13	831.34	0.00	1,022.47
Building Rent - Bowman and Brooke, LLP	700.00	27,690.19	27,769.97	27,623.33	83,783.49
Employee - Payroll and Subcontractors	0.00	116,458.51	92,184.99	106,008.42	314,651.92
IT/Computer Expense - Non SDR	0.00	34,458.57	17,378.32	20,204.10	72,040.99
Mailing Printing Postage	0.00	76.19	1,523.60	58.80	1,658.59
Misc - Medical Director Fee	0.00	1,500.00	0.00	0.00	1,500.00
Premium Tax & Cert of Authority Fees	0.00	52,774.15	0.00	0.00	52,774.15
Telephone and Internet	0.00	210.10	2,411.78	1,910.82	4,532.70
Credit Card Fees-Paymentech	0.00	221.80	403.88	81.22	706.90
	0.00				
Operating Account Bank Fees-Frost	12.00	36.00	72.00	12.00	132.00
Texas Treasury	0.00	0.00	0.00	0.00	0.00
<b>Total Other</b>	<b>712.00</b>	<b>282,735.76</b>	<b>226,423.37</b>	<b>159,951.33</b>	<b>669,822.46</b>
<b>Sub-Total SDR, Subcontractor &amp; Provider Expenses</b>					
<b>Sub-Total SDR, Subcontractor &amp; Provider Expenses</b>	<b>182,629.35</b>	<b>529,268.39</b>	<b>453,574.91</b>	<b>438,850.14</b>	<b>1,604,322.79</b>
<b>Liquidation Oversight Allocation</b>					
RLO Allocation	0.00	0.00	30,585.85	26,807.04	57,392.89
Special Master's Fees	0.00	0.00	71.77	192.61	264.38
<b>Total RLO &amp; SM Expense</b>	<b>0.00</b>	<b>0.00</b>	<b>30,657.62</b>	<b>26,999.65</b>	<b>57,657.27</b>
<b>Total Expenses</b>	<b>182,629.35</b>	<b>529,268.39</b>	<b>484,232.53</b>	<b>465,849.79</b>	<b>1,661,980.06</b>

**Capson Physicians Insurance Company**  
**Statement of Net Assets**

For the Period Ending  
05/31/19

Line	05/31/19
<b>Cash</b>	
1 Cash	
Cash - Unrestricted	2,659,534
APF Funds (Loan proceeds)	
<b>Investments</b>	
2 Short-Term Investments	
3 Bonds	5,669,616
4 Stocks - Preferred & Common	
5 Investments in Subsidiaries, Controlled or Affiliated Entities	
6 Mortgage Loans	
7 Real Estate	
8 Policy Loans	
9 Other Invested Assets	
<b>Restricted Assets</b>	
10 Statutory Deposits	2,662,000
11 Funds held by or deposited with Reinsured Companies	
12 Restricted - Other	
Funds Held at Chase Bank-LOC Collateral	0
Funds Held for Others - Granite State Ins Co	800,000
<b>Reinsurance Receivable</b>	
13 Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	374,270
14 Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	5,468,326
15 Reinsurance Recoverables on UEP & Contingent Commissions	
<b>Other Receivables</b>	
16 Salvage & Subrogation Recoveries	
17 Premiums Due from Agents & Policyholders	3,068,530
18 Receivable from Parents, Subsidiaries & Affiliates	
19 Receivable from Guaranty Associations - Early Access Payments	
20 Other Receivables	
Investment Income Due & Accrued	26,617
<b>Other Assets</b>	
21 FF&E	
22 Other Assets	178,992
<b>Total Assets</b>	<b>20,907,885</b>

**NOTES**

Ref No.

18 Receivable from Parent and Affiliates		3,479,561
Allowance for Uncollectible		(3,479,561)
Net Amount		0

22 Other Receivables are as follows:

Prepaid Expenses		174,458
Policy Admin Software		60,124
Allowance for Amount Owed by Parent		(60,124)
Deferred Tax Asset		3,298,116
Allowance for Uncollectible Deferred Tax Asset		(3,298,116)
Guaranty Fund Assessment		4,534
Total		178,992

**Capson Physicians Insurance Company**  
**Statement of Net Liabilities**

For Period Ending  
05/31/19

Line		05/31/19
1	Secured Claims	
2	APF Loan	
3	Special Deposit Claims	
<b>Administrative Claims - Class 1</b>		
4	Administrative Claims - State/Receiver	
	Special Deputy Receiver, Subcontractors Fees & Expenses	278,898
	Liquidation Oversight	26,807
	Special Master's Fees	193
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	
	LAE Reserves	
<b>Policy Claims - Class 2</b>		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	
	Loss Claims Reserves	
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	13,142,303
9	LAE - Other	9,452,446
10	Unearned & Advance Premium Claims - GA	
11	Unearned & Advance Premium Claims - Other	2,945,127
<b>Other Liabilities</b>		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	
15	Class 5 Reinsurance Related Unsecured Claims	
16	Class 6 Claims	
17	Class 7 Claims	
18	Class 8 Claims	
19	Class 9 Claims	
20	Class 10 Interest	
21	Class 11 Claims	
22	Other Liabilities	7,315,258
	<b>Total Liabilities</b>	<b>33,161,032</b>
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	<b>(12,253,147)</b>
	<b>Total Liabilities &amp; Equity</b>	<b>20,907,885</b>

**NOTES**

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

22 Other Liabilities are as follows:

Amounts Due Vendors - Non SDR and Subcontractors	40,880
Amounts Due for Pre Receivership ALAE	2,086,189
Advance Premiums-Policyholder Refunds	1,402,408
Funds Held for Others-GSIC Fronting Agreement	787,380
Ceded Reinsurance Premium Payables	2,164,097
Assumed Reinsurance Payable	769,865
Commissions Payable	45,610
Premium Taxes Payable	18,829
Totals	<u>7,315,258</u>

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**Capson Physicians Insurance Company**  
**Sources & Uses of Cash**

For Period Ending  
05/31/19

	<b>Qtr Ending May-19</b>
<b>Income</b>	
Premium Receipts	1,783,877
Agents' Balances Received	0
Reinsurance Recoveries	186,801
Salvage & Subrogation Recoveries	0
Affiliates Recovery	0
Settlement/Litigation Recovery	0
Other Receipts	43,514
Sale of Real & Personal Property	0
Investment Sales/Receipts	0
Other Asset Receipts	24,000
<b>Total Receipts from Assets/Receivables</b>	<b>2,038,192</b>
Interest & Dividend Receipts, EA Interest	0
Cash Deposit Interest	4,899
<b>Total Cash Receipts</b>	<b>2,043,091</b>
<b>Disbursements</b>	
SDR Fees & Expenses	310,374
Subcontractor Legal Fees & Expenses	127,489
Subcontractor Other Fees & Expenses	217,738
Non-Subcontractor Fees & Expenses	900
Other Expenses	668,911
RLO Fees & Expenses	30,657
<b>Total Disbursements for Operations</b>	<b>1,356,069</b>
Loss Claims & LAE Expense Payments	1,750,528
Early Access Payments - GA	0
Refunds & Other Distributions to Restricted Acct	0
<b>Total Cash Distributions</b>	<b>1,750,528</b>
<b>Total Cash Disbursements &amp; Distributions</b>	<b>3,106,597</b>
<b>Net Increase(Decrease) in Cash</b>	<b>(1,063,506)</b>
<b>Cash at Beginning of Period</b>	<b>3,723,040</b>
<b>Cash at End of Period</b>	<b>2,659,534</b>