

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

THE STATE OF TEXAS	§	IN THE DISTRICT COURT OF
<i>Plaintiff,</i>	§	
	§	
v.	§	TRAVIS COUNTY, TEXAS
	§	
CAPSON PHYSICIANS INSURANCE	§	
COMPANY,	§	
<i>Defendant.</i>	§	250 <sup>TH</sup> JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND  
SUMMARY STATEMENT OF EXPENSES  
(JUNE 1, 2019 THROUGH AUGUST 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 June 1, 2019 to August 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,

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Capson Physicians Insurance Company**

### **CERTIFICATE OF SERVICE**

I certify that on September 16, 2019, a true and correct copy of the foregoing *Special Deputy Receiver's Quarterly Financial Report and Summary Statement of Expenses (June 1, 2019 through August 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.

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**Capson Physicians Insurance Company**  
**Statement of Expenses**

For Period Ending  
08/31/19

	Total Jun	Total Jul	Total Aug	Total Quarter
<b>SDR</b>				
Cantilo & Bennett, LLP				
Partner/Attorney	34,606.00	34,694.00	31,064.00	100,364.00
Partner/Attorney	33,594.00	42,416.00	30,734.00	106,744.00
Partner/Attorney	0.00	198.00	0.00	198.00
Partner/Attorney	88.00	0.00	0.00	88.00
Associate	23,681.00	28,271.00	21,097.00	73,049.00
Associate	24,854.00	34,799.00	26,843.00	86,496.00
Associate	5,355.00	13,039.00	1,972.00	20,366.00
Law Clerk	722.50	170.00	0.00	892.50
Expenses	20.06	58.50	781.60	860.16
<b>Total SDR Billing</b>	<b>122,920.56</b>	<b>153,645.50</b>	<b>112,491.60</b>	<b>389,057.66</b>
<b>SDR Subcontractors - Legal</b>				
Fuller Law Group				
Attorney	1,092.00	416.00	104.00	1,612.00
Expenses	0.00	0.00	0.00	0.00
<b>Total Billing</b>	<b>1,092.00</b>	<b>416.00</b>	<b>104.00</b>	<b>1,612.00</b>
Inquest Resources				
Paralegal	1,856.00	3,088.00	1,192.00	6,136.00
Receivership Specialist I	3,400.00	2,512.00	528.00	6,440.00
Receivership Specialist II	550.00	2,690.00	600.00	3,840.00
Receivership Specialist II/Travel	55.00	102.50	57.50	215.00
Clerical	165.00	552.00	354.00	1,071.00
Clerical-Travel	0.00	12.00	0.00	12.00
Expenses	604.70	1,961.78	456.42	3,022.90
<b>Total Billing</b>	<b>6,630.70</b>	<b>10,918.28</b>	<b>3,187.92</b>	<b>20,736.90</b>
Greg Pierce-Attorney at Law				
Attorney	38,450.00	41,150.00	14,350.00	93,950.00
Expenses	16.65	184.61	9.99	211.25
<b>Total Billing</b>	<b>38,466.65</b>	<b>41,334.61</b>	<b>14,359.99</b>	<b>94,161.25</b>
<b>Total Legal Subcontractors</b>	<b>46,189.35</b>	<b>52,668.89</b>	<b>17,651.91</b>	<b>116,510.15</b>
<b>SDR Subcontractors - Other</b>				
Petrosewicz & Company, Inc				
Accountant-Principal/ C.P.A.	11,628.00	11,934.00	8,568.00	32,130.00
Accountant-Principal/C.P.A. Travel	504.00	0.00	0.00	504.00
Staff Accountant	3,549.00	5,355.00	5,103.00	14,007.00
Staff Accountant	283.50	199.50	262.50	745.50
Expenses	668.13	250.93	153.84	1,072.90
<b>Total Billing</b>	<b>16,632.63</b>	<b>17,739.43</b>	<b>14,087.34</b>	<b>48,459.40</b>
EMKAY Associates				
Claims and IT	3,819.00	6,621.50	4,902.00	15,342.50
Claims and IT	0.00	0.00	997.50	997.50
Claims and IT-Travel	0.00	0.00	237.50	237.50
Expenses	47.97	134.56	0.00	182.53
<b>Total Billing</b>	<b>3,866.97</b>	<b>6,756.06</b>	<b>6,137.00</b>	<b>16,760.03</b>
Tharp and Associates				
Forensic Consultant	9,731.25	0.00	0.00	9,731.25
Expenses	0.00	0.00	0.00	0.00
<b>Total Billing</b>	<b>9,731.25</b>	<b>0.00</b>	<b>0.00</b>	<b>9,731.25</b>
Milford Consulting				
Receivership Specialist I	17,850.00	17,752.00	15,232.00	50,834.00
Reinsurance Specialist	14,875.00	8,775.00	11,175.00	34,825.00
Receivership Specialist III	6,813.00	9,432.00	5,229.00	21,474.00

**Capson Physicians Insurance Company  
Statement of Expenses**

**For Period Ending  
08/31/19**

	<b>Total Jun</b>	<b>Total Jul</b>	<b>Total Aug</b>	<b>Total Quarter</b>
Receivership Specialist II	1,046.50	2,806.00	3,105.00	6,957.50
IT Specialist	10,934.50	4,142.00	931.00	16,007.50
Expenses	0.00	19.46	53.35	72.81
	<b>51,519.00</b>	<b>42,926.46</b>	<b>35,725.35</b>	<b>130,170.81</b>
<b>Total Other SDR Subcontractors</b>	<b>81,749.85</b>	<b>67,421.95</b>	<b>55,949.69</b>	<b>205,121.49</b>
<b>Receivership Service Providers</b>				
The Legal Connection-SDR Related	0.00	1,100.00	900.00	2,000.00
Premium Collections Expense - New Mexico Patient Compensation Fund	0.00	0.00	3,261.00	3,261.00
Premium Collections Expense - Louisiana Patient Compensation Fund	9,036.25	0.00	0.00	9,036.25
Premium Collections Expense - Indiana Patient Compensation Fund	0.00	45.00	60.00	105.00
Maryland Insurance Administration	1,500.00	0.00	0.00	1,500.00
Incorp Services-Agent Service	0.00	99.00	0.00	99.00
Trust Pilot-Marketing Quarterly Charge	0.00	1,650.00	0.00	1,650.00
Illinois Department of Insurance-Void of Check	0.00	0.00	(400.00)	(400.00)
Investment Expense-US Bank - Custody Fees Net of Refund	750.00	196.21	0.00	946.21
Investment Expense-Raymond James/Clearwater	6,890.42	4,075.99	0.00	10,966.41
Claims Expense - Perr & Knight	15,675.00	0.00	0.00	15,675.00
Inventory/Moving/Storage-Safesite	0.00	0.00	85.00	85.00
Building Rent - Bowman and Brooke, LLP	27,792.57	27,778.02	27,739.01	83,309.60
Employee - Payroll and Subcontractors (See Detail Tab)	60,367.09	42,988.42	46,323.68	149,679.19
IT/Computer Expense - Non SDR (See Detail Tab)	21,454.09	17,207.99	8,828.85	47,490.93
Mailing Printing Postage	455.75	507.38	287.71	1,250.84
Telephone and Internet	960.90	1,373.16	951.85	3,285.91
Credit Card Fees-Paymentech	66.25	392.38	0.00	458.63
Chase Bank Operating Fees	0.00	858.28	983.78	1,842.06
Operating Account Bank Fees-Frost	12.00	24.00	12.00	48.00
Chase MM Acct Fees	2.14	0.00	0.00	2.14
Texas Treasury-Non Restricted	0.00	85.85	129.48	215.33
Texas Treasury GSIC- Restricted	0.00	18.90	24.63	43.53
<b>Total Other</b>	<b>144,962.46</b>	<b>98,400.58</b>	<b>89,186.99</b>	<b>332,550.03</b>
<b>Sub-Total SDR, Subcontractor &amp; Provider Expenses</b>				
<b>Sub-Total SDR, Subcontractor &amp; Provider Expenses</b>	<b>395,822.22</b>	<b>372,136.92</b>	<b>275,280.19</b>	<b>1,043,239.33</b>
<b>Liquidation Oversight Allocation</b>				
RLO Allocation	27,569.17	26,596.38	23,906.17	78,071.72
Special Master's Fees	0.00	1,268.74	0.00	1,268.74
<b>Total RLO &amp; SM Expense</b>	<b>27,569.17</b>	<b>27,865.12</b>	<b>23,906.17</b>	<b>79,340.46</b>
<b>Total Expenses</b>	<b>423,391.39</b>	<b>400,002.04</b>	<b>299,186.36</b>	<b>1,122,579.79</b>

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

**For the Period Ending  
08/31/19**

Line	08/31/19
<b>Cash</b>	
1	Cash
	Cash - Unrestricted
	APF Funds (Loan proceeds)
	6,707,448
<b>Investments</b>	
2	Short-Term Investments
3	Bonds
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
	2,332,000
11	Funds held by or deposited with Reinsured Companies
12	Restricted - Other
	Funds Held for Others - Granite State Insurance Co (Draw Down on LOC)
	Funds Held for Others - Texas Treasury Acct-Granite State Insurance Co
	Funds Held for Others - PCF Surcharge Refunds
	800,000
	868,297
	23,354
<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)
	6,028,593
15	Reinsurance Recoverables on UEP & Contingent Commissions
<b>Other Receivables</b>	
16	Salvage & Subrogation Recoveries
17	Premiums Due from Agents & Policyholders
	261,423
18	Receivable from Parents, Subsidiaries & Affiliates
19	Receivable from Guaranty Associations - Early Access Payments
	330,000
20	Other Receivables
	Investment Income Due & Accrued
<b>Other Assets</b>	
21	FF&E
22	Other Assets
	8,534
<b>Total Assets</b>	
	<b>17,733,919</b>

**NOTES**

Ref No.

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

22 Other Receivables are as follows:

Prepaid Expenses	144,650
Allowance for Uncollectible Amounts	(140,650)

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

**For the Period Ending  
08/31/19**

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Policy Admin Software	60,124
Allowance for Uncollectible Amounts	(60,124)
Deferred Tax Asset	3,298,116
Allowance for Uncollectible Deferred Tax Asset	(3,298,116)
Guaranty Fund Assessment	4,534
Total	<u>8,534</u>

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**Capson Physicians Insurance Company**  
**Changes in Net Assets for the Quarter Ending**

8/31/2019

Line	05/31/19	08/31/19	Change
<b>Cash</b>			
1 Cash			
Cash - Unrestricted	2,659,534	6,707,448	4,047,914
APF Funds (Loan proceeds)	0	0	0
<b>Investments</b>			
2 Short-Term Investments	0	0	0
3 Bonds	5,669,616	0	(5,669,616)
4 Stocks - Preferred & Common	0	0	0
5 Investments in Subsidiaries, Controlled or Affiliated Entities	0	0	0
6 Mortgage Loans	0	0	0
7 Real Estate	0	0	0
8 Policy Loans	0	0	0
9 Other Invested Assets	0	0	0
<b>Restricted Assets</b>			
10 Statutory Deposits	2,662,000	2,332,000	(330,000)
11 Funds held by or deposited with Reinsured Companies	0	0	0
12 Restricted - Other	0	0	0
Funds Held for Others - Granite State Insurance Co (Draw Down on LOC)	800,000	800,000	0
Funds Held for Others - Texas Treasury Acct-Granite State Insurance Co	0	868,297	868,297
Funds Held for Others - PCF Surcharge Refunds		23,354	23,354
<b>Reinsurance Receivable</b>			
13 Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	374,270	374,270	0
14 Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	5,468,326	6,028,593	560,267
15 Reinsurance Recoverables on UEP & Contingent Commissions	0	0	0
<b>Other Receivables</b>			
16 Salvage & Subrogation Recoveries	0	0	0
17 Premiums Due from Agents & Policyholders	3,068,530	261,423	(2,807,107)
18 Receivable from Parents, Subsidiaries & Affiliates	0	0	0
19 Receivable from Guaranty Associations - Early Access Payments	0	330,000	330,000
20 Other Receivables	0	0	0
Investment Income Due & Accrued	26,617	0	(26,617)
<b>Other Assets</b>			
21 FF&E	0	0	0
22 Other Assets	178,992	8,534	(170,458)
<b>Total Assets</b>	<b>20,907,885</b>	<b>17,733,919</b>	<b>(3,173,966)</b>

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

**For Period Ending  
08/31/19**

Line		08/31/19
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	187,078
	Liquidation Oversight	23,906
	Special Master's Fees	0
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	6,232
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	10,408
	LAE Reserves	1,438,131
<b>Policy Claims - Class 2</b>		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	
	Loss Claims Reserves	9,112,170
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	4,044,542
9	LAE - Other	7,960,668
10	Unearned & Advance Premium Claims - GA	
11	Unearned & Advance Premium Claims - Other	981,804
<b>Other Liabilities</b>		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	415,743
15	Class 5 Reinsurance Related Unsecured Claims	769,865
16	Class 6 Claims	16,886
17	Class 7 Claims	
18	Class 8 Claims	
19	Class 9 Claims	
20	Class 10 Interest	
21	Class 11 Claims	
22	Other Liabilities	3,660,583
	<b>Total Liabilities</b>	28,628,016
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(10,894,097)
	<b>Total Liabilities &amp; Equity</b>	17,733,919

**NOTES**

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

14 Class 5 General Unsecured Creditor Claims are as follows:

Advance Premiums-GSIC Policies	358,856
Agents Commissions Payable	56,887
Totals	<u>415,743</u>

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

**For Period Ending  
08/31/19**

15 Represents Assumed Reinsurance Payable on GSIC policies	<u>769,865</u>
22 Other Liabilities are as follows:	
Amounts Due Vendors - Non SDR and Subcontractors	39,690
Funds Held for Others-GSIC Fronting Agreement	35,652
Funds Held for Others-GSIC Fronting Agreement (TTSTC Acct)	868,297
Funds Held for Others-PCF Surcharge Refunds	23,354
Ceded Reinsurance Premium Payables	2,422,929
Ceded Reinsurance Premium Payables - Medefense	<u>270,661</u>
Totals	<u>3,660,583</u>

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**Capson Physicians Insurance Company**  
**Changes in Net Liabilities for the Quarter Ending**

8/31/2019

Line		05/31/19	08/31/19	Change
1	Secured Claims	0	0	0
2	APF Loan	0	0	0
3	Special Deposit Claims	0	0	0
<b>Administrative Claims - Class 1</b>				
4	Administrative Claims - State/Receiver	0	0	0
	Special Deputy Receiver, Subcontractors Fees & Expenses	278,898	187,078	(91,820)
	Liquidation Oversight	26,807	23,906	(2,901)
	Special Master's Fees	193	0	(193)
5	Administrative Claims - Guaranty Assns	0	0	0
	Administrative Expense Paid	0	6,232	6,232
	Administrative Expense Reserves	0	0	0
6	LAE - Guaranty Assns	0	0	0
	LAE Paid	0	10,408	10,408
	LAE Reserves	0	1,438,131	1,438,131
<b>Policy Claims - Class 2</b>				
7	Loss Claims - Guaranty Assns	0	0	0
	Loss Claims Paid	0	0	0
	Loss Claims Reserves	0	9,112,170	9,112,170
8	Loss Claims - Other	0	0	0
	Other Loss Claims Paid	0	0	0
	Other Loss Claims Reserves	13,142,303	4,044,542	(9,097,761)
9	LAE - Other	9,452,446	7,960,668	(1,491,778)
10	Unearned & Advance Premium Claims - GA	0	0	0
11	Unearned & Advance Premium Claims - Other	2,945,127	981,804	(1,963,323)
<b>Other Liabilities</b>				
12	Class 3 Claims	0	0	0
13	Class 4 Claims	0	0	0
14	Class 5 General Unsecured Creditor Claims	0	415,743	415,743
15	Class 5 Reinsurance Related Unsecured Claims	0	769,865	769,865
16	Class 6 Claims	0	16,886	16,886
17	Class 7 Claims	0	0	0
18	Class 8 Claims	0	0	0
19	Class 9 Claims	0	0	0
20	Class 10 Interest	0	0	0
21	Class 11 Claims	0	0	0
22	Other Liabilities	7,315,258	3,660,583	(3,654,675)
	<b>Total Liabilities</b>	<b>33,161,032</b>	<b>28,628,016</b>	<b>(4,533,016)</b>
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(12,253,147)	(10,894,097)	1,359,050
	<b>Total Liabilities &amp; Equity</b>	<b>20,907,885</b>	<b>17,733,919</b>	<b>(3,173,966)</b>

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

For Period Ending  
08/31/19

	Qtr Ending Aug-19
<b>Income</b>	
Premium Receipts	497,939
Agents' Balances Received	0
Reinsurance Recoveries	0
Salvage & Subrogation Recoveries	0
Affiliates Recovery	0
Settlement/Litigation Recovery	0
Other Receipts	6,501
Sale of Real & Personal Property	470
Investment Sales/Receipts	5,661,128
Other Asset Receipts	0
<b>Total Receipts from Assets/Receivables</b>	<b>6,166,038</b>
Interest & Dividend Receipts, EA Interest	126,790
Cash Deposit Interest	34,806
<b>Total Cash Receipts</b>	<b>6,327,634</b>
<b>Disbursements</b>	
SDR Fees & Expenses	422,746
Subcontractor Legal Fees & Expenses	141,509
Subcontractor Other Fees & Expenses	239,241
Non-Subcontractor Fees & Expenses	0
Other Expenses	331,921
RLO Fees & Expenses	82,434
<b>Total Disbursements for Operations</b>	<b>1,217,851</b>
Loss Claims & LAE Expense Payments	173,878
Early Access Payments - GA	0
Refunds & Other Distributions to Restricted Acct	888,391
<b>Total Cash Distributions</b>	<b>1,062,269</b>
<b>Total Cash Disbursements &amp; Distributions</b>	<b>2,280,120</b>
<b>Net Increase(Decrease) in Cash</b>	<b>4,047,514</b>
<i>Cash at Beginning of Period</i>	2,659,534
<i>Cash at End of Period</i>	6,707,048