

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 TH JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND
SUMMARY STATEMENT OF EXPENSES
(SEPTEMBER 1, 2019 THROUGH NOVEMBER 30, 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 September 1, 2019 to November 30, 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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Special Deputy Receiver of
Capson Physicians Insurance Company**

CERTIFICATE OF SERVICE

I certify that on December 16, 2019, a true and correct copy of the foregoing *Special Deputy Receiver's Quarterly Financial Report and Summary Statement of Expenses (September 1, 2019 through November 30, 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
11/30/19

	Total Sept	Total Oct	Total Nov	Total Quarter
SDR				
Cantilo & Bennett, LLP				
Partner/Attorney	38,984.00	43,340.00	29,260.00	111,584.00
Partner/Attorney	12,518.00	35,178.00	31,350.00	79,046.00
Associate	22,134.00	29,937.00	24,973.00	77,044.00
Associate	21,318.00	24,871.00	21,913.00	68,102.00
Associate	1,853.00	15,342.50	6,477.00	23,672.50
Legal Assistant	0.00	52.00	0.00	52.00
Legal Assistant	104.00	0.00	0.00	104.00
Expenses	404.00	38.94	3,568.86	4,011.80
Total SDR Billing	97,315.00	148,759.44	117,541.86	363,616.30
SDR Subcontractors - Legal				
Fuller Law Group				
Attorney	0.00	0.00	260.00	260.00
Expenses	0.00	0.00	0.00	0.00
Total Billing	0.00	0.00	260.00	260.00
Inquest Resources				
Paralegal	664.00	752.00	1,216.00	2,632.00
Receivership Specialist I	400.00	504.00	784.00	1,688.00
Receivership Specialist II	315.00	65.00	75.00	455.00
Expenses	415.70	4.30	32.30	452.30
Total Billing	1,794.70	1,325.30	2,107.30	5,227.30
Greg Pierce-Attorney at Law				
Attorney	22,600.00	29,325.00	29,350.00	81,275.00
Expenses	3.33	3.33	9.99	16.65
Total Billing	22,603.33	29,328.33	29,359.99	81,291.65
Total Legal Subcontractors	24,398.03	30,653.63	31,727.29	86,778.95
SDR Subcontractors - Other				
Petrosewicz & Company, Inc				
Accountant-Principal/ C.P.A.	7,182.00	4,248.00	2,988.00	14,418.00
Staff Accountant	3,055.50	2,289.00	1,669.50	7,014.00
Staff Accountant	0.00	42.00	21.00	63.00
Accounting Clerical Staff	0.00	0.00	7.00	7.00
Expenses	29.76	10.40	17.94	58.10
Total Billing	10,267.26	6,589.40	4,703.44	21,560.10
EMKAY Associates				
Claims Representative	988.00	0.00	0.00	988.00
Claims Representative Travel	237.50	0.00	0.00	237.50
Claims and IT	2,413.00	2,926.00	1,966.50	7,305.50
Expenses	1,054.05	0.00	0.00	1,054.05
Total Billing	4,692.55	2,926.00	1,966.50	9,585.05
Tharp and Associates				
Reinsurance Consultant	0.00	0.00	6,581.25	6,581.25
Expenses	0.00	0.00	0.00	0.00
Total Billing	0.00	0.00	6,581.25	6,581.25
Milford Consulting				
Receivership Specialist I	13,174.00	10,262.00	12,698.00	36,134.00

**Capson Physicians Insurance Company
Statement of Expenses**

**For Period Ending
11/30/19**

	Total Sept	Total Oct	Total Nov	Total Quarter
Reinsurance Specialist	9,487.50	10,225.00	14,450.00	34,162.50
Receivership Specialist III	2,403.00	4,149.00	2,457.00	9,009.00
Receivership Specialist II	2,231.00	2,012.50	1,840.00	6,083.50
Expenses	88.29	56.78	56.78	201.85
	27,383.79	26,705.28	31,501.78	85,590.85
Total Other SDR Subcontractors	42,343.60	36,220.68	44,752.97	123,317.25
Receivership Service Providers				
FedEx	0.00	36.35	0.00	36.35
Shred-It	0.00	146.17	0.00	146.17
The Hartford-Workers Comp Insurance	552.00	0.00	0.00	552.00
Lakeside Mediation Center	900.00	0.00	0.00	900.00
Milliman-Actuary Fees	0.00	0.00	12,500.00	12,500.00
Garretson Resolution Group-MMSEA Reporting Agent Services	95.00	10.00	0.00	105.00
Epoch Underwriting-40% Ext Reporting Endorsement D&O Coverage-Affiliate Expense	36,886.92	0.00	0.00	36,886.92
Cantilo & Bennett-Rent	4,900.00	4,900.00	4,900.00	14,700.00
Inventory/Moving/Storage-Safesite	35.00	85.00	0.00	120.00
Bowman and Brooke, LLP-June/July Kitchen Supplies	319.16	0.00	0.00	319.16
Employee - Payroll and Subcontractors (See Detail Tab)	26,199.54	41,912.69	24,924.62	93,036.85
IT/Computer Expense - Non SDR (See Detail Tab)	9,067.94	7,973.84	7,898.73	24,940.51
Pitney Bowes-Mailing Printing Postage	35.72	0.00	0.00	35.72
Telephone-Century Link/Spectrum	1,079.51	0.00	(34.78)	1,044.73
Wells Fargo-Capson Corp/SDR Escrow Agreement AdMin Fee	3,000.00	0.00	0.00	3,000.00
Chase Bank Operating Fees	96.28	108.07	147.44	351.79
Operating Account Bank Fees-Frost	12.00	12.00	12.00	36.00
US Bank-Fees	0.00	0.00	275.83	275.83
Texas Treasury-Non Restricted-Sept and Oct	0.00	239.89	0.00	239.89
Texas Treasury GSIC- Restricted-Sept and Oct	0.00	48.99	0.00	48.99
Total Other	83,179.07	55,473.00	50,623.84	189,275.91
Sub-Total SDR, Subcontractor & Provider Expenses				
Sub-Total SDR, Subcontractor & Provider Expenses	247,235.70	271,106.75	244,645.96	762,988.41
Liquidation Oversight Allocation				
RLO Allocation	19,813.23	19,102.54	22,181.53	61,097.30
Special Master's Fees	0.00	0.00	110.66	110.66
Total RLO & SM Expense	19,813.23	19,102.54	22,292.19	61,207.96
Total Expenses	267,048.93	290,209.29	266,938.15	824,196.37

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

**For the Period Ending
11/30/19**

Line		11/30/2019
Cash		
1	Cash	
	Cash - Unrestricted	7,900,973
	APF Funds (Loan proceeds)	
Investments		
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	
Restricted Assets		
10	Statutory Deposits	425,000
11	Funds held by or deposited with Reinsured Companies	
12	Restricted - Other	
	Funds Held for Others - Granite State Insurance Co (Draw Down on LOC)	800,000
	Funds Held for Others - Texas Treasury Acct-Granite State Insurance Co	872,216
	Funds Held for Others - PCF Surcharge Refunds	23,354
Reinsurance Receivable		
13	Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	374,270
14	Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	5,750,083
15	Reinsurance Recoverables on UEP & Contingent Commissions	
Other Receivables		
16	Salvage & Subrogation Recoveries	
17	Premiums Due from Agents & Policyholders	338,915
18	Receivable from Parents, Subsidiaries & Affiliates	
19	Receivable from Guaranty Associations - Early Access Payments	330,000
20	Other Receivables	
	Due from Ag Workers-Charter Sale	0
Other Assets		
21	FF&E	
22	Other Assets	8,534
	Total Assets	16,823,345

NOTES

Ref No.

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

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

**For the Period Ending
11/30/19**

22 Other Receivables are as follows:

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

11/30/2019

Line		08/31/19	11/30/19	Change
Cash				
1	Cash			
	Cash - Unrestricted	6,707,448	7,900,973	1,193,525
	APF Funds (Loan proceeds)	0	0	0
Investments				
2	Short-Term Investments	0	0	0
3	Bonds	0	0	0
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
Restricted Assets				
10	Statutory Deposits	2,332,000	425,000	(1,907,000)
11	Funds held by or deposited with Reinsured Companies	0	0	0
12	Restricted - Other	0	0	0
	Funds Held at Chase Bank-LOC Collateral	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	868,297	872,216	3,919
	Funds Held for Others - PCF Surcharge Refunds	23,354	23,354	0
Reinsurance Receivable				
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)	6,028,593	5,750,083	(278,510)
15	Reinsurance Recoverables on UEP & Contingent Commissions	0	0	0
Other Receivables				
16	Salvage & Subrogation Recoveries	261,423	0	(261,423)
17	Premiums Due from Agents & Policyholders	0	338,915	338,915
18	Receivable from Parents, Subsidiaries & Affiliates	0	0	0
19	Receivable from Guaranty Associations - Early Access Payments	330,000	330,000	0
20	Other Receivables	0	0	0
	Investment Income Due & Accrued	0	0	0
Other Assets				
21	FF&E	0	0	0
22	Other Assets	8,534	8,534	0
Total Assets		17,733,919	16,823,345	(910,574)

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

**For Period Ending
11/30/19**

Line		11/30/19
1	Secured Claims	
2	APF Loan	
3	Special Deposit Claims	
Administrative Claims - Class 1		
4	Administrative Claims - State/Receiver	
	Special Deputy Receiver, Subcontractors Fees & Expenses	193,988
	Liquidation Oversight	22,181
	Special Master's Fees	111
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	333,379
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	323,960
	LAE Reserves	3,986,616
Policy Claims - Class 2		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	275,000
	Loss Claims Reserves	14,649,562
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	1,620,241
9	LAE - Other	1,710,539
10	Unearned & Advance Premium Claims - GA	172,282
11	Unearned & Advance Premium Claims - Other	1,035,450
Other Liabilities		
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	4,075,399
	Total Liabilities	29,601,202
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(12,777,857)
	Total Liabilities & Equity	16,823,345

NOTES

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

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

**For Period Ending
11/30/19**

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>
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	25,582
Funds Held for Others-GSIC Fronting Agreement	36,644
Funds Held for Others-GSIC Fronting Agreement (TTSTC Acct)	872,216
Funds Held for Others-PCF Surcharge Refunds	23,354
Ceded Reinsurance Premium Payables	2,794,865
Ceded Reinsurance Premium Payables - Medefense	270,661
Outstanding Items-Pre Receivership Bank Accounts	52,077
Totals	<u>4,075,399</u>

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

11/30/2019

Line		08/31/19	11/30/19	Change
1	Secured Claims	0	0	0
2	APF Loan	0	0	0
3	Special Deposit Claims	0	0	0
Administrative Claims - Class 1				
4	Administrative Claims - State/Receiver	0	0	0
	Special Deputy Receiver, Subcontractors Fees & Expenses	187,078	193,988	6,910
	Liquidation Oversight	23,906	22,181	(1,725)
	Special Master's Fees	0	111	111
5	Administrative Claims - Guaranty Assns	0	0	0
	Administrative Expense Paid	6,232	333,379	327,147
	Administrative Expense Reserves	0	0	0
6	LAE - Guaranty Assns	0	0	0
	LAE Paid	10,408	323,960	313,552
	LAE Reserves	1,438,131	3,986,616	2,548,485
Policy Claims - Class 2				
7	Loss Claims - Guaranty Assns	0	0	0
	Loss Claims Paid	0	275,000	275,000
	Loss Claims Reserves	9,112,170	14,649,562	5,537,392
8	Loss Claims - Other	0	0	0
	Other Loss Claims Paid	0	0	0
	Other Loss Claims Reserves	4,044,542	1,620,241	(2,424,301)
9	LAE - Other	7,960,668	1,710,539	(6,250,129)
10	Unearned & Advance Premium Claims - GA	0	172,282	172,282
11	Unearned & Advance Premium Claims - Other	981,804	1,035,450	53,646
Other Liabilities				
12	Class 3 Claims	0	0	0
13	Class 4 Claims	0	0	0
14	Class 5 General Unsecured Creditor Claims	415,743	415,743	0
15	Class 5 Reinsurance Related Unsecured Claims	769,865	769,865	0
16	Class 6 Claims	16,886	16,886	0
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	3,660,583	4,075,399	414,816
				0
				0
	Total Liabilities	28,628,016	29,601,202	973,186
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(10,894,097)	(12,777,857)	(1,883,760)
	Total Liabilities & Equity	17,733,919	16,823,345	(910,574)

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Capson Physicians Insurance Company
Sources & Uses of Cash

For Period Ending
11/30/19

	Qtr Ending Nov-19
Income	
Premium Receipts	0
Agents' Balances Received	0
Reinsurance Recoveries	0
Salvage & Subrogation Recoveries	0
Affiliates Recovery	0
Settlement/Litigation Recovery	0
Other Receipts	1,069
Sale of Real & Personal Property	205
Investment Sales/Receipts	0
Other Asset Receipts	1,982,128
Total Receipts from Assets/Receivables	1,983,402
Interest & Dividend Receipts, EA Interest	22,563
Cash Deposit Interest	33,720
Total Cash Receipts	2,039,685
Disbursements	
SDR Fees & Expenses	358,566
Subcontractor Legal Fees & Expenses	75,630
Subcontractor Other Fees & Expenses	131,589
Non-Subcontractor Fees & Expenses	0
Other Expenses	190,246
RLO Fees & Expenses	62,821
Total Disbursements for Operations	818,852
Loss Claims & LAE Expense Payments	79,385
Early Access Payments - GA	0
Refunds & Other - Outstanding Items - Pre Rec Bank Accounts	(52,077)
Total Cash Distributions	27,308
Total Cash Disbursements & Distributions	846,160
Net Increase(Decrease) in Cash	1,193,525
Cash at Beginning of Period	6,707,448
Cash at End of Period	7,900,973