

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

THE STATE OF TEXAS
Plaintiff,

v.

CAPSON PHYSICIANS INSURANCE
COMPANY,
Defendant.

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IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

250TH JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND
SUMMARY STATEMENT OF EXPENSES
(DECEMBER 1, 2019 THROUGH FEBRUARY 29, 2020)**

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 December 1, 2019 to February 29, 2020. 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 March 16, 2020, a true and correct copy of the foregoing *Special Deputy Receiver's Quarterly Financial Report and Summary Statement of Expenses (December 1, 2019 through February 29, 2020)* 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
02/29/20**

	Total Dec	Total Jan	Total Feb	Total Quarter
SDR				
Cantilo & Bennett, LLP				
Partner/Attorney	24,310.00	27,808.00	27,456.00	79,574.00
Partner/Attorney	28,754.00	22,902.00	17,864.00	69,520.00
Associate	15,793.00	30,107.00	26,877.00	72,777.00
Associate	17,085.00	24,004.00	25,058.00	66,147.00
Associate	9,928.00	7,463.00	1,581.00	18,972.00
Law Clerk	0.00	0.00	459.00	459.00
Expenses	625.59	167.45	879.25	1,672.29
Total SDR Billing	96,495.59	112,451.45	100,174.25	309,121.29
SDR Subcontractors - Legal				
Inquest Resources				
Paralegal	496.00	640.00	312.00	1,448.00
Receivership Specialist I	3,032.00	1,232.00	416.00	4,680.00
Receivership Specialist II	60.00	80.00	30.00	170.00
Receivership Specialist II/Travel	12.50	0.00	0.00	12.50
Expenses	3,659.08	6.80	1.60	3,667.48
Total Billing	7,259.58	1,958.80	759.60	9,977.98
Greg Pierce-Attorney at Law				
Attorney	26,875.00	19,825.00	11,425.00	58,125.00
Expenses	3.33	6.66	0.00	9.99
Total Billing	26,878.33	19,831.66	11,425.00	58,134.99
Total Legal Subcontractors	34,137.91	21,790.46	12,184.60	68,112.97
SDR Subcontractors - Other				
Petrosewicz & Company, Inc				
Accountant-Principal/ C.P.A.	2,016.00	3,384.00	4,374.00	9,774.00
Staff Accountant	1,669.50	3,024.00	1,753.50	6,447.00
Staff Accountant	21.00	52.50	42.00	115.50
Accounting Clerical Staff			7.00	7.00
Expenses	53.17	509.33	40.53	603.03
Total Billing	3,759.67	6,969.83	6,217.03	16,946.53
EMKAY Associates				
Claims and IT	3,762.00	3,163.50	3,610.00	10,535.50
Expenses	0.00	0.00		0.00
Total Billing	3,762.00	3,163.50	3,610.00	10,535.50
Tharp and Associates				
Reinsurance Consultant	843.75	0.00	0.00	843.75
Expenses	0.00	0.00	0.00	0.00
	843.75	0.00	0.00	843.75
Milford Consulting				
Receivership Specialist I	9,156.00	11,522.00	11,718.00	32,396.00
Reinsurance Specialist	5,837.50	12,000.00	11,550.00	29,387.50
Receivership Specialist III	3,762.00	4,545.00	6,498.00	14,805.00
Receivership Specialist II	1,023.50	414.00	1,920.50	3,358.00
Expenses	56.78	55.75	63.00	175.53
Total Billing	19,835.78	28,536.75	31,749.50	80,122.03
Total Other SDR Subcontractors	28,201.20	38,670.08	41,576.53	108,447.81

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**Capson Physicians Insurance Company
Statement of Expenses**

**For Period Ending
02/29/20**

	Total Dec	Total Jan	Total Feb	Total Quarter
Receivership Service Providers				
Pirkey Barber-Trademark Consulting	0.00	905.35	0.00	905.35
Karl Bayer Mediation	1,533.33	0.00	0.00	1,533.33
Milliman-Actuary Fees	20,671.25	0.00	0.00	20,671.25
Cantilo & Bennett-Rent	4,900.00	4,900.00	4,900.00	14,700.00
Inventory/Moving/Storage-Safesite	220.00	85.00	85.00	390.00
IMA Inc.-SDR Bond	0.00	0.00	1,200.00	1,200.00
Employee - Payroll and Subcontractors (See Detail Tab)	26,976.62	27,927.52	27,324.96	82,229.10
IT/Computer Expense - Non SDR (See Detail Tab)	7,499.63	7,499.63	7,471.01	22,470.27
Toppan Merrill POC Mailing	0.00	0.00	2,722.04	2,722.04
Telephone-Century Link/Spectrum	0.00	0.00	34.78	34.78
Chase Bank Operating Fees	142.49	147.44	143.92	433.85
Operating Account Bank Fees-Frost	12.00	12.00	12.00	36.00
Texas Treasury-Non Restricted	288.55	140.77	135.30	564.62
Texas Treasury GSIC- Restricted	49.04	24.78	24.80	98.62
Total Other	62,292.91	41,642.49	44,053.81	147,989.21
Sub-Total SDR, Subcontractor & Provider Expenses				
Sub-Total SDR, Subcontractor & Provider Expenses	221,127.61	214,554.48	197,989.19	633,671.28
Liquidation Oversight Allocation				
RLO Allocation	21,809.02	19,555.77	20,446.14	61,810.93
Special Master's Fees	0.00	438.67	169.33	608.00
Total RLO & SM Expense	21,809.02	19,994.44	20,615.47	62,418.93
Total Expenses	242,936.63	234,548.92	218,604.66	696,090.21

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

**For the Period Ending
02/29/20**

Line		02/29/2020
Cash		
1	Cash	
	Cash - Unrestricted	7,043,740
	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	875,383
	Funds Held for Others - PCF Surcharge Refunds	23,354
Reinsurance Receivable		
13	Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	535,168
14	Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	
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	
	Eshares Inc-Unauthorized Debit to be reimbursed	0
Other Assets		
21	FF&E	
22	Other Assets	8,534
	Total Assets	10,380,094

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

**For the Period Ending
02/29/20**

NOTES

Ref No.

14	Reinsurance Recoverables on Unpaid Losses & LAE-Gross	5,591,655
	Allowance for Uncollectible	(5,591,655)
	Net Amount	0
		0
18	Receivable from Parent and Affiliates	3,479,561
	Allowance for Uncollectible	(3,479,561)
	Net Amount	0
		0
	Reflects unauthorized debit in January 2020 to Chase operating account for renewal subscription established pre receivership and not authorized by SDR. Reimbursement received in February 2020.	
		0
		0
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	8,534
		8,534

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

For Period Ending
02/29/20

Line

02/29/2020

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	157,250
	Liquidation Oversight	20,446
	Special Master's Fees	169
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	784,355
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	1,038,858
	LAE Reserves	4,851,928
Policy Claims - Class 2		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	821,485
	Loss Claims Reserves	12,518,520
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	3,204,797
9	LAE - Other	130,330
10	Unearned & Advance Premium Claims - GA	665,284
11	Unearned & Advance Premium Claims - Other	623,365
Other Liabilities		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	998,633
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	4,052,984
	Total Liabilities	30,655,155
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(20,275,061)
	Total Liabilities & Equity	10,380,094

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

**For Period Ending
02/29/20**

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
Unsecured Creditors-POCs received not yet adjudicated	582,890
Totals	<u>998,633</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	0
Funds Held for Others-GSIC Fronting Agreement	36,644
Funds Held for Others-GSIC Fronting Agreement (TTSTC Acct)	875,383
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>4,052,984</u>

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

02/29/2020

Line		11/30/19	02/29/20	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	193,988	157,250	(36,738)
	Liquidation Oversight	22,181	20,446	(1,735)
	Special Master's Fees	111	169	58
5	Administrative Claims - Guaranty Assns	0	0	0
	Administrative Expense Paid	333,379	784,355	450,976
	Administrative Expense Reserves	0	0	0
6	LAE - Guaranty Assns	0	0	0
	LAE Paid	323,960	1,038,858	714,898
	LAE Reserves	3,986,616	4,851,928	865,312
Policy Claims - Class 2				
7	Loss Claims - Guaranty Assns	0	0	0
	Loss Claims Paid	275,000	821,485	546,485
	Loss Claims Reserves	14,649,562	12,518,520	(2,131,042)
8	Loss Claims - Other	0	0	0
	Other Loss Claims Paid	0	0	0
	Other Loss Claims Reserves	1,620,241	3,204,797	1,584,556
9	LAE - Other	1,710,539	130,330	(1,580,209)
10	Unearned & Advance Premium Claims - GA	172,282	665,284	493,002
11	Unearned & Advance Premium Claims - Other	1,035,450	623,365	(412,085)
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	998,633	582,890
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	4,075,399	4,052,984	(22,415)
	Total Liabilities	29,601,202	30,655,155	1,053,953
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(12,777,857)	(20,275,061)	(7,497,204)
	Total Liabilities & Equity	16,823,345	10,380,094	(6,443,251)

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Capson Physicians Insurance Company
Sources & Uses of Cash

For Period Ending
02/29/20

	Qtr Ending Feb-20
Income	
Premium Receipts	0
Agents' Balances Received	0
Reinsurance Recoveries	0
Salvage & Subrogation Recoveries	0
Affiliates Recovery	0
Settlement/Litigation Recovery	0
Other Receipts	7,438
Sale of Real & Personal Property	3,840
Investment Sales/Receipts	0
Other Asset Receipts	0
Total Receipts from Assets/Receivables	11,278
Interest & Dividend Receipts, EA Interest	0
Cash Deposit Interest	27,826
Total Cash Receipts	39,104
Disbursements	
SDR Fees & Expenses	326,489
Subcontractor Legal Fees & Expenses	87,656
Subcontractor Other Fees & Expenses	112,530
Non-Subcontractor Fees & Expenses	22,205
Other Expenses	127,828
RLO Fees & Expenses	64,096
Total Disbursements for Operations	740,804
Loss Claims & LAE Expense Payments	155,533
Early Access Payments - GA	0
Refunds & Other - Outstanding Items - Pre Rec Bank Accounts	0
Total Cash Distributions	155,533
Total Cash Disbursements & Distributions	896,337
Net Increase(Decrease) in Cash	(857,233)
Cash at Beginning of Period	7,900,973
Cash at End of Period	7,043,740