

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.

250TH JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND
SUMMARY STATEMENT OF EXPENSES
(MARCH 1, 2020 THROUGH MAY 31, 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 March 1, 2020 to May 31, 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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**Attorneys for CANTILO & BENNETT, LLP,
Special Deputy Receiver of
Capson Physicians Insurance Company**

CERTIFICATE OF SERVICE

I certify that on June 15, 2020, a true and correct copy of the foregoing *Special Deputy Receiver's Quarterly Financial Report and Summary Statement of Expenses (March 1, 2020 through May 31, 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
05/31/20**

	Total Mar	Total April	Total May	Total Quarter
SDR				
Cantilo & Bennett, LLP				
Partner/Attorney	27,258.00	26,114.00	37,224.00	90,596.00
Partner/Attorney	23,386.00	20,658.00	22,264.00	66,308.00
Associate	29,750.00	18,972.00	22,338.00	71,060.00
Associate	18,870.00	16,031.00	37,791.00	72,692.00
Associate	1,207.00	2,397.00	2,176.00	5,780.00
Expenses	0.00	0.00	149.40	149.40
Total SDR Billing	100,471.00	84,172.00	121,942.40	306,585.40
SDR Subcontractors - Legal				
Fuller Law Group				
Attorney	260.00	0.00	0.00	260.00
Expenses	0.00	0.00	0.00	0.00
Total Billing	260.00	0.00	0.00	260.00
Inquest Resources				
Paralegal	976.00	320.00	8.00	1,304.00
Receivership Specialist I	160.00	424.00	160.00	744.00
Receivership Specialist II	35.00	10.00	10.00	55.00
Receivership Specialist II/Travel	0.00	0.00	0.00	0.00
Expenses	14.40	0.00	0.00	14.40
Total Billing	1,185.40	754.00	178.00	2,117.40
Greg Pierce-Attorney at Law				
Attorney	16,075.00	13,675.00	14,400.00	44,150.00
Expenses	3.33	0.00	0.00	3.33
Total Billing	16,078.33	13,675.00	14,400.00	44,153.33
Total Legal Subcontractors	17,523.73	14,429.00	14,578.00	46,530.73
SDR Subcontractors - Other				
Petrosewicz & Company, Inc				
Accountant-Principal/ C.P.A.	2,646.00	3,744.00	6,696.00	13,086.00
Staff Accountant	1,312.50	1,596.00	1,197.00	4,105.50
Staff Accountant	21.00	157.50	577.50	756.00
Accounting Clerical Staff			17.50	17.50
Expenses	18.75	13.80	82.21	114.76
Total Billing	3,998.25	5,511.30	8,570.21	18,079.76
EMKAY Associates				
Claims and IT	2,717.00	2,460.50	1,919.00	7,096.50
Expenses	0.00	0.00	0.00	0.00
Total Billing	2,717.00	2,460.50	1,919.00	7,096.50

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**Capson Physicians Insurance Company
Statement of Expenses**

**For Period Ending
05/31/20**

	Total Mar	Total April	Total May	Total Quarter
Milford Consulting				
Receivership Specialist I	8,960.00	12,936.00	10,290.00	32,186.00
Reinsurance Specialist	5,525.00	11,525.00	12,787.50	29,837.50
Receivership Specialist III	4,986.00	3,384.00	4,059.00	12,429.00
Receivership Specialist II	1,656.00	3,461.50	3,530.50	8,648.00
Expenses	55.75	55.32	55.32	166.39
	21,182.75	31,361.82	30,722.32	83,266.89
Total Other SDR Subcontractors	27,898.00	39,333.62	41,211.53	108,443.15
Receivership Service Providers				
Pirkey Barber-Trademark Consulting	0.00	38.00	0.00	38.00
Cantilo & Bennett-Rent	4,900.00	4,900.00	4,900.00	14,700.00
Inventory/Moving/Storage-Safesite	85.00	170.00	0.00	255.00
Employee - Payroll and Subcontractors (See Detail Tab)	27,007.23	41,470.27	24,924.62	93,402.12
IT/Computer Expense - Non SDR (See Detail Tab)	7,217.71	7,221.57	7,221.57	21,660.85
Check Stock-Frost	0.00	0.00	213.71	213.71
Chase Bank Operating Fees	166.13	160.11	160.13	486.37
Operating Account Bank Fees-Frost	36.00	24.00	50.00	110.00
Texas Treasury-Non Restricted	123.84	126.60	130.64	381.08
Texas Treasury GSIC- Restricted	23.86	24.84	24.36	73.06
	39,559.77	54,135.39	37,625.03	131,320.19
Total Other	39,559.77	54,135.39	37,625.03	131,320.19
Sub-Total SDR, Subcontractor & Provider Expenses				
Sub-Total SDR, Subcontractor & Provider Expenses	185,452.50	192,070.01	215,356.96	592,879.47
Liquidation Oversight Allocation				
RLO Allocation	20,515.33	15,261.03	13,952.87	49,729.23
Special Master's Fees	0.00	0.00	134.67	134.67
Total RLO & SM Expense	20,515.33	15,261.03	14,087.54	49,863.90
Total Expenses	205,967.83	207,331.04	229,444.50	642,743.37

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Capson Physicians Insurance Company
Statement of Net Assets

For the Period Ending
05/31/20

Line		5/31/2020
Cash		
1	Cash	
	Cash - Unrestricted	13,706,082
	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)	0
	Funds Held for Others - Texas Treasury Acct-Granite State Insurance Co	0
	Funds Held for Others - PCF Surcharge Refunds	23,354
Reinsurance Receivable		
13	Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	523,772
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	79,722
18	Receivable from Parents, Subsidiaries & Affiliates	
19	Receivable from Guaranty Associations - Early Access Payments	330,000
20	Other Receivables	
Other Assets		
21	FF&E	
22	Other Assets	6,742
	Total Assets	15,094,672

NOTES

Ref No.

14	Reinsurance Recoverables on Unpaid Losses & LAE-Gross	5,590,723
	Allowance for Uncollectible	(5,590,723)
	Net Amount	0

22 Other Receivables are as follows:

Prepaid Expenses	142,858
Allowance for Uncollectible Amounts	(140,650)
Policy Admin Software	60,124
Allowance for Uncollectible Amounts	(60,124)
Deferred Tax Asset	3,298,117

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

**For the Period Ending
05/31/20**

Allowance for Uncollectible Deferred Tax Asset	(3,298,117)
Guaranty Fund Assessment	<u>4,534</u>
Total	<u><u>6,742</u></u>

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

**For Period Ending
05/31/20**

Line		05/31/20
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	179,910
	Liquidation Oversight	13,593
	Special Master's Fees	135
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	1,346,059
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	1,579,345
	LAE Reserves	5,460,008
Policy Claims - Class 2		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	1,684,070
	Loss Claims Reserves	13,185,221
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	9,490,201
9	LAE - Other	
10	Unearned & Advance Premium Claims - GA	825,737
11	Unearned & Advance Premium Claims - Other	462,912
Other Liabilities		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	994,131
15	Class 5 Reinsurance Related Unsecured Claims	0
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	2,870,297
	Total Liabilities	38,108,505
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(23,013,833)
	Total Liabilities & Equity	15,094,672

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

**For Period Ending
05/31/20**

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	0
Agents Commissions Payable	56,887
Unsecured Creditors-POCs received not yet adjudicated	29,705
Unsec Creditors-LAE Atty Fees-POCs received not yet adjudicated	907,539
Totals	<u>994,131</u>

22 Other Liabilities are as follows:

Funds Held for Others-GSIC Fronting Agreement	0
Funds Held for Others-GSIC Fronting Agreement (TTSTC Acct)	0
Funds Held for Others-PCF Surcharge Refunds	23,354
Ceded Reinsurance Premium Payables	2,794,865
Outstanding Items-Pre Receivership Bank Accounts	52,078
Totals	<u>2,870,297</u>

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

5/31/2020

Line		02/29/20	05/31/20	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	157,250	179,910	22,660
	Liquidation Oversight	20,446	13,593	(6,853)
	Special Master's Fees	169	135	(34)
5	Administrative Claims - Guaranty Assns	0	0	0
	Administrative Expense Paid	784,355	1,346,059	561,704
	Administrative Expense Reserves	0	0	0
6	LAE - Guaranty Assns	0	0	0
	LAE Paid	1,038,858	1,579,345	540,487
	LAE Reserves	4,851,928	5,460,008	608,080
Policy Claims - Class 2				
7	Loss Claims - Guaranty Assns	0	0	0
	Loss Claims Paid	821,485	1,684,070	862,585
	Loss Claims Reserves	12,518,520	13,185,221	666,701
8	Loss Claims - Other	0	0	0
	Other Loss Claims Paid	0	0	0
	Other Loss Claims Reserves	3,204,797	9,490,201	6,285,404
9	LAE - Other	130,330	0	(130,330)
10	Unearned & Advance Premium Claims - GA	665,284	825,737	160,453
11	Unearned & Advance Premium Claims - Other	623,365	462,912	(160,453)
Other Liabilities				
12	Class 3 Claims	0	0	0
13	Class 4 Claims	0	0	0
14	Class 5 General Unsecured Creditor Claims	998,633	994,131	(4,502)
15	Class 5 Reinsurance Related Unsecured Claims	769,865	0	(769,865)
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	4,052,984	2,870,297	(1,182,687)
	Total Liabilities	30,655,155	38,108,505	7,453,350
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(20,275,061)	(23,013,833)	(2,738,772)
	Total Liabilities & Equity	10,380,094	15,094,672	4,714,578

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Capson Physicians Insurance Company
Sources & Uses of Cash

For Period Ending
05/31/20

	Qtr Ending May-20
Income	
Premium Receipts	0
Agents' Balances Received	0
Reinsurance Recoveries	11,396
Salvage & Subrogation Recoveries	0
Affiliates Recovery	6,435,001
Settlement/Litigation Recovery	0
Other Receipts	825
Sale of Real & Personal Property	0
Investment Sales/Receipts	0
Other Asset Receipts	0
Total Receipts from Assets/Receivables	6,447,222
Interest & Dividend Receipts, EA Interest	0
Cash Deposit Interest	4,048
Total Cash Receipts	6,451,270
Disbursements	
SDR Fees & Expenses	284,817
Subcontractor Legal Fees & Expenses	44,138
Subcontractor Other Fees & Expenses	108,809
Non-Subcontractor Fees & Expenses	0
Other Expenses	134,219
RLO Fees & Expenses	56,391
Total Disbursements for Operations	628,374
Loss Claims & LAE Expense Payments	36,348
Early Access Payments - GA	0
Refunds & Other - Transfer from GSIC Restricted Account to Unrestricted TTSTC Account	(875,794)
Total Cash Distributions	(839,446)
Total Cash Disbursements & Distributions	(211,072)
Net Increase(Decrease) in Cash	6,662,342
Cash at Beginning of Period	7,043,740
Cash at End of Period	13,706,082

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Greg Pierce on behalf of Greg Pierce
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