

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  
(SEPTEMBER 1, 2020 THROUGH NOVEMBER 30, 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 September 1, 2020 to November 30, 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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**CERTIFICATE OF SERVICE**

I certify that on December 15, 2020, a true and correct copy of the foregoing *Special Deputy Receiver's Quarterly Financial Report and Summary Statement of Expenses (September 1, 2020 through November 30, 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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R-561

**Capson Physicians Insurance Company  
Statement of Expenses**

**For Period Ending  
11/30/20**

|                                       | Total<br>Sept    | Total<br>Oct     | Total<br>Nov     | Total<br>Quarter  |
|---------------------------------------|------------------|------------------|------------------|-------------------|
| <b>SDR</b>                            |                  |                  |                  |                   |
| Cantilo & Bennett, LLP                |                  |                  |                  |                   |
| Partner/Attorney                      | 33,330.00        | 32,450.00        | 21,076.00        | 86,856.00         |
| Partner/Attorney                      | 12,210.00        | 14,916.00        | 12,936.00        | 40,062.00         |
| Partner/Attorney                      | 308.00           | 198.00           | 374.00           | 880.00            |
| Associate                             | 17,493.00        | 8,806.00         | 13,821.00        | 40,120.00         |
| Associate                             | 2,499.00         | 12,750.00        | 7,208.00         | 22,457.00         |
| Associate                             | 2,074.00         | 3,808.00         | 1,666.00         | 7,548.00          |
| Legal Assistant                       | 39.00            | 0.00             | 0.00             | 39.00             |
| Expenses                              | 1,802.04         | 147.51           | 635.80           | 2,585.35          |
| <b>Total SDR Billing</b>              | <b>69,755.04</b> | <b>73,075.51</b> | <b>57,716.80</b> | <b>200,547.35</b> |
| <b>SDR Subcontractors - Legal</b>     |                  |                  |                  |                   |
| Inquest Resources                     |                  |                  |                  |                   |
| Paralegal                             | 32.00            | 32.00            | 16.00            | 80.00             |
| Receivership Specialist I             | 400.00           | 288.00           | 144.00           | 832.00            |
| Receivership Specialist II            | 130.00           | 15.00            | 10.00            | 155.00            |
| Expenses                              | 7.00             | 0.00             | 0.00             | 7.00              |
| <b>Total Billing</b>                  | <b>569.00</b>    | <b>335.00</b>    | <b>170.00</b>    | <b>1,074.00</b>   |
| Greg Pierce-Attorney at Law           |                  |                  |                  |                   |
| Attorney                              | 6,875.00         | 7,625.00         | 5,100.00         | 19,600.00         |
| Expenses                              | 3.33             | 0.00             | 0.00             | 3.33              |
| <b>Total Billing</b>                  | <b>6,878.33</b>  | <b>7,625.00</b>  | <b>5,100.00</b>  | <b>19,603.33</b>  |
| <b>Total Legal Subcontractors</b>     | <b>7,447.33</b>  | <b>7,960.00</b>  | <b>5,270.00</b>  | <b>20,677.33</b>  |
| <b>SDR Subcontractors - Other</b>     |                  |                  |                  |                   |
| Petrosewicz & Company, Inc            |                  |                  |                  |                   |
| Accountant-Principal/ C.P.A.          | 3,060.00         | 1,260.00         | 756.00           | 5,076.00          |
| Staff Accountant                      | 2,667.00         | 1,407.00         | 1,648.50         | 5,722.50          |
| Staff Accountant                      | 283.50           | 273.00           | 31.50            | 588.00            |
| Expenses                              | 47.23            | 95.70            | 62.41            | 205.34            |
| <b>Total Billing</b>                  | <b>6,082.23</b>  | <b>3,035.70</b>  | <b>2,498.41</b>  | <b>11,616.34</b>  |
| EMKAY Associates                      |                  |                  |                  |                   |
| Claims and IT                         | 2,346.50         | 1,235.00         | 1,301.50         | 4,883.00          |
| Expenses                              | 0.00             | 0.00             | 0.00             | 0.00              |
| <b>Total Billing</b>                  | <b>2,346.50</b>  | <b>1,235.00</b>  | <b>1,301.50</b>  | <b>4,883.00</b>   |
| Milford Consulting                    |                  |                  |                  |                   |
| Receivership Specialist I             | 7,672.00         | 8,582.00         | 6,160.00         | 22,414.00         |
| Reinsurance Specialist                | 7,237.50         | 6,900.00         | 5,212.50         | 19,350.00         |
| Receivership Specialist III           | 3,123.00         | 3,627.00         | 2,367.00         | 9,117.00          |
| Receivership Specialist II            | 1,426.00         | 2,116.00         | 1,851.50         | 5,393.50          |
| Receivership Specialist III           | 3,222.00         | 3,132.00         | 3,357.00         | 9,711.00          |
| IT Specialist                         | 5,937.50         | 4,322.50         | 6,678.50         | 16,938.50         |
| IT Specialist-Travel                  | 152.00           | 0.00             | 0.00             | 152.00            |
| Expenses                              | 336.56           | 57.16            | 57.16            | 450.88            |
| <b>Total Billing</b>                  | <b>29,106.56</b> | <b>28,736.66</b> | <b>25,683.66</b> | <b>83,526.88</b>  |
| <b>Total Other SDR Subcontractors</b> | <b>37,535.29</b> | <b>33,007.36</b> | <b>29,483.57</b> | <b>100,026.22</b> |

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**Capson Physicians Insurance Company  
Statement of Expenses**

**For Period Ending  
11/30/20**

|   | <b>Total<br/>Sept</b> | <b>Total<br/>Oct</b> | <b>Total<br/>Nov</b> | <b>Total<br/>Quarter</b> |
|---|-----------------------|----------------------|----------------------|--------------------------|
| <b>Receivership Service Providers</b>                       |                       |                      |                      |                          |
| Echo Ridge Partners iCat Maintenance                        | 2,083.33              | 2,083.33             | 2,083.33             | 6,249.99                 |
| MyITpros  | 4,833.99              | 4,678.84             | 4,678.84             | 14,191.67                |
| Rackspace-Email service                                     | 336.13                | 324.49               | 324.49               | 985.11                   |
| Inventory/Moving/Storage-Safesite                           | 85.00                 | 85.00                | 85.00                | 255.00                   |
| The Hartford-Workers Comp Ins (Final Audit)                 |                       |                      | 22.00                | 22.00                    |
| Pay Pal Charges-Verifications                               | 99.24                 | 79.65                | 22.40                | 201.29                   |
| Chase Bank Operating Fees                                   | 160.16                | 165.17               | 160.17               | 485.50                   |
| Operating Account Bank Fees-Frost                           | 36.00                 | 12.00                | 0.00                 | 48.00                    |
| Texas Treasury-Non Restricted                               | 231.98                | 222.71               | 227.81               | 682.50                   |
| <b>Total Other</b>  | <b>7,865.83</b>       | <b>7,651.19</b>      | <b>7,604.04</b>      | <b>23,121.06</b>         |
| <b>Sub-Total SDR, Subcontractor &amp; Provider Expenses</b> |                       |                      |                      |                          |
| <b>Sub-Total SDR, Subcontractor &amp; Provider Expenses</b> | <b>122,603.49</b>     | <b>121,694.06</b>    | <b>100,074.41</b>    | <b>344,371.96</b>        |
| <b>Liquidation Oversight Allocation</b>                     |                       |                      |                      |                          |
| RLO Allocation  | 8,330.44              | 7,417.89             | 8,446.52             | 24,194.85                |
| Special Master's Fees                                       | 0.00                  | 0.00                 | 0.00                 | 0.00                     |
| <b>Total RLO &amp; SM Expense</b>                           | <b>8,330.44</b>       | <b>7,417.89</b>      | <b>8,446.52</b>      | <b>24,194.85</b>         |
| <b>Total Expenses</b>                                       | <b>130,933.93</b>     | <b>129,111.95</b>    | <b>108,520.93</b>    | <b>368,566.81</b>        |

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

For the Period Ending  
11/30/20

| Line                          |  | 11/30/20          |
|-------------------------------|--|-------------------|
| <b>Cash</b>                   |  |                   |
| 1                             | Cash   |                   |
|                               | Cash - Unrestricted  | 12,677,939        |
|                               | APF Funds (Loan proceeds)  |                   |
| <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   | 424,250           |
| 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                          | 23,354            |
| <b>Reinsurance Receivable</b> |  |                   |
| 13                            | Reinsurance Recoverables on Paid Losses & LAE (net of allowance)       | 0                 |
| 14                            | Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)     | 0                 |
| 15                            | Reinsurance Recoverables on UEP & Contingent Commissions               |                   |
| <b>Other Receivables</b>      |  |                   |
| 16                            | Salvage & Subrogation Recoveries                                       |                   |
| 17                            | Premiums Due from Agents & Policyholders                               | 0                 |
| 18                            | Receivable from Parents, Subsidiaries & Affiliates-Agents Balances     |                   |
| 19                            | Receivable from Guaranty Associations - Early Access Payments          | 330,000           |
| 20                            | Other Receivables  |                   |
|                               | Due from Ag Workers-Charter Sale                                       |                   |
|                               | Eshares Inc-Unauthorized Debit to be reimbursed                        |                   |
| <b>Other Assets</b>           |  |                   |
| 21                            | FF&E   |                   |
| 22                            | Other Assets   | 5,534             |
|                               |  |                   |
|                               | <b>Total Assets</b>  | <b>13,461,077</b> |

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

**For the Period Ending  
11/30/20**

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**NOTES**

|         |   |              |
|---------|---|--------------|
| Ref No. |   |              |
| 13      | Reinsurance Recoverables on Paid Losses               | 582,544      |
|         | Allowance for Uncollectible                           | (582,544)    |
|         | Net Amount  | <u>0</u>     |
| 14      | Reinsurance Recoverables on Unpaid Losses & LAE-Gross | 5,590,723    |
|         | Allowance for Uncollectible                           | (5,590,723)  |
|         | Net Amount  | <u>0</u>     |
| 17      | Premiums Receivable                                   | 66,665       |
|         | Amounts Due From Agents-Unearned Commissions          | 7,166        |
|         | Allowance for Uncollectible                           | (73,831)     |
|         | Net Amount  | <u>0</u>     |
| 22      | Other Assets are as follows:                          |              |
|         | Prepaid Expenses                                      | 141,650      |
|         | 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>5,534</u> |



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

**For Period Ending  
11/30/20**

| Line                                   |   | 11/30/20     |
|--|---|--------------|
| 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               | 92,816       |
|  | Liquidation Oversight   | 8,447        |
|  | Special Master's Fees   |              |
| 5                                      | Administrative Claims - Guaranty Assns                                |              |
|  | Administrative Expense Paid   | 2,014,123    |
|  | Administrative Expense Reserves                                       |              |
| 6                                      | LAE - Guaranty Assns  |              |
|  | LAE Paid  | 3,332,844    |
|  | LAE Reserves  | 6,517,550    |
| <b>Policy Claims - Class 2</b>         |   |              |
| 7                                      | Loss Claims - Guaranty Assns  |              |
|  | Loss Claims Paid  | 2,919,500    |
|  | Loss Claims Reserves  | 12,559,650   |
| 8                                      | Loss Claims - Other   |              |
|  | Other Loss Claims Paid  |              |
|  | Other Loss Claims Reserves  | 18,760,201   |
| 9                                      | LAE - Other   |              |
| 10                                     | Unearned & Advance Premium Claims - GA                                | 961,690      |
| 11                                     | Unearned & Advance Premium Claims - Other                             | 326,959      |
| <b>Other Liabilities</b>               |   |              |
| 12                                     | Class 3 Claims  |              |
| 13                                     | Class 4 Claims  |              |
| 14                                     | Class 5 General Unsecured Creditor Claims                             | 1,562,614    |
| 15                                     | Class 5 Reinsurance Related Unsecured Claims                          |              |
| 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   | 3,419,118    |
|  | <b>Total Liabilities</b>  | 52,492,398   |
| 23                                     | Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities | (39,031,321) |
|  | <b>Total Liabilities &amp; Equity</b>                                 | 13,461,077   |

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

**For Period Ending  
11/30/20**

**NOTES**

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

See Accompanying Notes to Financial Statements

14 Class 5 General Unsecured Creditor Claims are as follows:

|   |                  |
|---|------------------|
| Agents Commissions Payable                                      | 56,887           |
| Unsecured Creditors-POCs received not yet adjudicated           | 29,813           |
| Unsec Creditors-LAE Atty Fees-POCs received not yet adjudicated | 1,475,914        |
| Totals  | <u>1,562,614</u> |

22 Other Liabilities are as follows:

|  |                  |
|--|------------------|
| Funds Held for Others-PCF Surcharge Refunds      | 23,354           |
| Ceded Reinsurance Premium Payables               | 3,343,686        |
| Outstanding Items-Pre Receivership Bank Accounts | 52,078           |
| Totals   | <u>3,419,118</u> |

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

11/30/2020

| Line                                   |   | 08/31/20          | 11/30/20          | 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               | 113,098           | 92,816            | (20,282)         |
|  | Liquidation Oversight   | 14,227            | 8,447             | (5,780)          |
|  | Special Master's Fees   | 98                | 0                 | (98)             |
| 5                                      | Administrative Claims - Guaranty Assns                                | 0                 | 0                 | 0                |
|  | Administrative Expense Paid   | 1,828,037         | 2,014,123         | 186,086          |
|  | Administrative Expense Reserves                                       | 0                 | 0                 | 0                |
| 6                                      | LAE - Guaranty Assns  | 0                 | 0                 | 0                |
|  | LAE Paid  | 2,396,292         | 3,332,844         | 936,552          |
|  | LAE Reserves  | 6,488,615         | 6,517,550         | 28,935           |
| <b>Policy Claims - Class 2</b>         |   |                   |                   |                  |
| 7                                      | Loss Claims - Guaranty Assns  | 0                 | 0                 | 0                |
|  | Loss Claims Paid  | 2,499,500         | 2,919,500         | 420,000          |
|  | Loss Claims Reserves  | 12,576,784        | 12,559,650        | (17,134)         |
| 8                                      | Loss Claims - Other   | 0                 | 0                 | 0                |
|  | Other Loss Claims Paid  | 0                 | 0                 | 0                |
|  | Other Loss Claims Reserves  | 14,490,201        | 18,760,201        | 4,270,000        |
| 9                                      | LAE - Other   | 0                 | 0                 | 0                |
| 10                                     | Unearned & Advance Premium Claims - GA                                | 961,690           | 961,690           | 0                |
| 11                                     | Unearned & Advance Premium Claims - Other                             | 326,959           | 326,959           | 0                |
| <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                             | 1,175,627         | 1,562,614         | 386,987          |
| 15                                     | Class 5 Reinsurance Related Unsecured Claims                          | 0                 | 0                 | 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   | 2,870,297         | 3,419,118         | 548,821          |
|  |   |                   | 0                 | 0                |
|  |   |                   | 0                 | 0                |
|  | <b>Total Liabilities</b>  | <b>45,758,311</b> | <b>52,492,398</b> | <b>6,734,087</b> |
| 23                                     | Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities | (31,927,365)      | (39,031,321)      | (7,103,956)      |
|  | <b>Total Liabilities &amp; Equity</b>                                 | <b>13,830,946</b> | <b>13,461,077</b> | <b>(369,869)</b> |

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

**For Period Ending  
11/30/20**

|   | <b>Qtr Ending<br/>Nov-20</b> |
|---|------------------------------|
| <b>Income</b>                                       |                              |
| Premium Receipts                                    | 12,922                       |
| Agents' Balances Received                           | 11,585                       |
| Reinsurance Recoveries                              | 794                          |
| Salvage & Subrogation Recoveries                    | 0                            |
| Affiliates Recovery                                 | 0                            |
| Settlement/Litigation Recovery                      | 0                            |
| Other Receipts                                      | 5,166                        |
| Sale of Real & Personal Property                    | 0                            |
| Investment Sales/Receipts                           | 0                            |
| Other Asset Receipts                                | 0                            |
| <b>Total Receipts from Assets/Receivables</b>       | <b>30,467</b>                |
| Interest & Dividend Receipts, EA Interest           | 0                            |
| Cash Deposit Interest                               | 1,128                        |
| <b>Total Cash Receipts</b>                          | <b>31,595</b>                |
| <b>Disbursements</b>                                |                              |
| SDR Fees & Expenses                                 | 211,103                      |
| Subcontractor Legal Fees & Expenses                 | 19,001                       |
| Subcontractor Other Fees & Expenses                 | 111,464                      |
| Non-Subcontractor Fees & Expenses                   | 22,983                       |
| Other Expenses                                      | 0                            |
| RLO Fees & Expenses                                 | 30,073                       |
| <b>Total Disbursements for Operations</b>           | <b>394,624</b>               |
| Loss Claims & LAE Expense Payments                  | 5,632                        |
| Early Access Payments - GA                          | 0                            |
| Refunds & Other Distributions                       | 0                            |
| <b>Total Cash Distributions</b>                     | <b>5,632</b>                 |
| <b>Total Cash Disbursements &amp; Distributions</b> | <b>400,256</b>               |
| <b>Net Increase(Decrease) in Cash</b>               | <b>(368,661)</b>             |
| <b>Cash at Beginning of Period</b>                  | <b>13,046,600</b>            |
| <b>Cash at End of Period</b>                        | <b>12,677,939</b>            |

### Automated Certificate of eService

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Greg Pierce on behalf of Greg Pierce  
Bar No. 15994250  
gpierce@gpiercelaw.com  
Envelope ID: 48985410  
Status as of 12/18/2020 4:45 PM CST

#### Case Contacts

| Name                   | BarNumber | Email                            | TimestampSubmitted    | Status |
|------------------------|-----------|----------------------------------|-----------------------|--------|
| Jay AThompson          |           | JThompson@thompsoncoe.com        | 12/15/2020 6:07:11 PM | SENT   |
| Christopher G. Fuller  | 7515500   | cfuller@fullerlaw.org            | 12/15/2020 6:07:11 PM | SENT   |
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| Anthony Lee Icenogle   | 10382948  | anthony@icenoglefirm.com         | 12/15/2020 6:07:11 PM | SENT   |
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| Patricia Muniz         |           | pmuniz@inquestresources.com      | 12/15/2020 6:07:11 PM | SENT   |
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| Liz Solka              |           | Liz.Solka@tdi.texas.gov          | 12/15/2020 6:07:11 PM | SENT   |
| Special Master's Clerk |           | specialmasterclerk@tdi.texas.gov | 12/15/2020 6:07:11 PM | SENT   |

#### Associated Case Party: Granite State Insurance Company

| Name               | BarNumber | Email              | TimestampSubmitted    | Status |
|--------------------|-----------|--------------------|-----------------------|--------|
| Edward D. Burbach  | 3355250   | eburbach@foley.com | 12/15/2020 6:07:11 PM | SENT   |
| Kimberly A. Yelkin | 22151670  | kyelkin@foley.com  | 12/15/2020 6:07:11 PM | SENT   |
| Nanette K. Beard   | 1949800   | nbeard@foley.com   | 12/15/2020 6:07:11 PM | SENT   |

#### Associated Case Party: TPCIGA

| Name                | BarNumber | Email              | TimestampSubmitted    | Status |
|---------------------|-----------|--------------------|-----------------------|--------|
| Amber Alayne Walker | 785581    | awalker@tpciga.org | 12/15/2020 6:07:11 PM | SENT   |