

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**  
**(DECEMBER 1, 2021 THROUGH FEBRUARY 28, 2022)**

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, 2021 to February 28, 2022. 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 March 15, 2022, a true and correct copy of the foregoing *Special Deputy Receiver's Quarterly Financial Report and Summary Statement of Expenses (December 1, 2021 to February 28, 2022)* 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  
02/28/22**

	Total Dec	Total Jan	Total Feb	Total Quarter
<b>SDR</b>				
Cantilo & Bennett, LLP				
Partner/Attorney	14,234.00	19,998.00	16,720.00	50,952.00
Partner/Attorney	14,080.00	16,018.20	11,484.00	41,582.20
Partner/Attorney	462.00	220.00	220.00	902.00
Associate	14,008.00	14,620.00	15,895.00	44,523.00
Associate	2,516.00	8,840.00	5,321.00	16,677.00
Associate	187.00	2,295.00	629.00	3,111.00
Legal Assistant	0.00	0.00	110.50	110.50
Expenses	11.66	0.00	698.67	710.33
<b>Total SDR Billing</b>	<b>45,498.66</b>	<b>61,991.20</b>	<b>51,078.17</b>	<b>158,568.03</b>
<b>SDR Subcontractors - Legal</b>				
Inquest Resources				
Paralegal	56.00	184.00	24.00	264.00
Receivership Specialist I	112.00	56.00	40.00	208.00
Receivership Specialist II	20.00	45.00	25.00	90.00
Receivership Specialist II/Travel	0.00	0.00	12.50	12.50
Expenses	0.00	2.50	10.06	12.56
<b>Total Billing</b>	<b>188.00</b>	<b>287.50</b>	<b>111.56</b>	<b>587.06</b>
Greg Pierce-Attorney at Law				
Attorney	1,900.00	7,600.00	4,400.00	13,900.00
Expenses	3.33	0.00	0.00	3.33
<b>Total Billing</b>	<b>1,903.33</b>	<b>7,600.00</b>	<b>4,400.00</b>	<b>13,903.33</b>
<b>Total Legal Subcontractors</b>	<b>2,091.33</b>	<b>7,887.50</b>	<b>4,511.56</b>	<b>14,490.39</b>
<b>SDR Subcontractors - Other</b>				
Petrosewicz & Company, Inc				
Accountant-Principal/ C.P.A.	522.00	1,350.00	810.00	2,682.00
Staff Accountant	1,071.00	1,113.00	1,050.00	3,234.00
Staff Accountant	126.00	42.00	21.00	189.00
Expenses	76.57	59.20	33.74	169.51
<b>Total Billing</b>	<b>1,795.57</b>	<b>2,564.20</b>	<b>1,914.74</b>	<b>6,274.51</b>
EMKAY Associates				
Claims and IT	1,140.00	1,624.50	2,166.00	4,930.50
Expenses	0.00	0.00	0.00	0.00
<b>Total Billing</b>	<b>1,140.00</b>	<b>1,624.50</b>	<b>2,166.00</b>	<b>4,930.50</b>
Milford Consulting				
Receivership Specialist I	9,100.00	10,948.00	10,262.00	30,310.00
Reinsurance Specialist	4,650.00	2,987.50	1,762.50	9,400.00
Receivership Specialist III	2,898.00	3,672.00	4,212.00	10,782.00
Receivership Specialist II	1,391.50	1,840.00	759.00	3,990.50
Receivership Specialist III	1,368.00	1,233.00	1,728.00	4,329.00
IT Specialist	1,083.00	2,147.00	1,035.50	4,265.50
Expenses	57.71	60.76	56.76	175.23
<b>Total Billing</b>	<b>20,548.21</b>	<b>22,888.26</b>	<b>19,815.76</b>	<b>63,252.23</b>
<b>Total Other SDR Subcontractors</b>	<b>23,483.78</b>	<b>27,076.96</b>	<b>23,896.50</b>	<b>74,457.24</b>

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**Capson Physicians Insurance Company  
Statement of Expenses**

**For Period Ending  
02/28/22**

	<b>Total Dec</b>	<b>Total Jan</b>	<b>Total Feb</b>	<b>Total Quarter</b>
<b>Receivership Service Providers</b>				
Epiq-Garretson-Federal Waiver Research	0.00	687.50	0.00	687.50
Echo Ridge Partners iCat Maintenance	2,083.00	2,083.00	2,083.00	6,249.00
MyITpros	4,674.93	4,674.93	4,674.94	14,024.80
Rackspace-Email service	324.49	324.49	324.49	973.47
Inventory/Moving/Storage-Safesite	85.00	85.00	85.00	255.00
IMA, Inc SDR Bond	0.00	1,200.00	0.00	1,200.00
Pay Pal Charges-Verification receipts	12.00	19.41	15.92	47.33
Chase Bank Operating Fees	160.37	165.37	160.37	486.11
Operating Account Bank Fees	45.00	15.00	30.00	90.00
Texas Treasury-Non Restricted	0.00	0.00	0.00	0.00
<b>Total Other</b>	<b>7,384.79</b>	<b>9,254.70</b>	<b>7,373.72</b>	<b>24,013.21</b>
<b>Sub-Total SDR, Subcontractor &amp; Provider Expenses</b>				
<b>Sub-Total SDR, Subcontractor &amp; Provider Expenses</b>	<b>78,458.56</b>	<b>106,210.36</b>	<b>86,859.95</b>	<b>271,528.87</b>
<b>Liquidation Oversight Allocation</b>				
RLO Allocation	5,582.43	4,593.65	5,813.86	15,989.94
Special Master's Fees	0.00	158.66	0.00	158.66
<b>Total RLO &amp; SM Expense</b>	<b>5,582.43</b>	<b>4,752.31</b>	<b>5,813.86</b>	<b>16,148.60</b>
<b>Total Expenses</b>	<b>84,040.99</b>	<b>110,962.67</b>	<b>92,673.81</b>	<b>287,677.47</b>

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

**For the Period Ending  
02/28/22**

Line		02/28/22
<b>Cash</b>		
1	Cash	
	Cash - Unrestricted	4,404,329
	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	
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	6,939,545
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	4,534
	<b>Total Assets</b>	<b>11,371,762</b>

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

**For the Period Ending  
02/28/22**

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**NOTES**

Ref No.

13 Reinsurance Recoverables on Paid Losses	440,562
Allowance for Uncollectible	<u>(440,562)</u>
Net Amount	<u>0</u>
14 Reinsurance Recoverables on Unpaid Losses & LAE-Gross	5,590,723
Allowance for Uncollectible	<u>(5,590,723)</u>
Net Amount	<u>0</u>
17 Premiums Receivable	66,665
Amounts Due From Agents-Unearned Commissions	2,421
Allowance for Uncollectible	<u>(69,086)</u>
Net Amount	<u>0</u>
22 Other Assets are as follows:	
Prepaid Expenses	140,650
Allowance for Uncollectible Amounts	<u>(140,650)</u>
Policy Admin Software	60,124
Allowance for Uncollectible Amounts	<u>(60,124)</u>
New Mexico Ancillary Receiver Gross	80,000
Allowance for Uncollectible	<u>(80,000)</u>
Oregon Ancillary Receiver Gross	424,250
Allowance for Uncollectible	<u>(424,250)</u>
Guaranty Fund Assessment	4,534
Total	<u>4,534</u>

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

2/28/2022

Line		11/30/21	02/28/22	Change
<b>Cash</b>				
1	Cash			
	Cash - Unrestricted	4,703,409	4,404,329	(299,080)
	APF Funds (Loan proceeds)	0	0	0
<b>Investments</b>				
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
<b>Restricted Assets</b>				
10	Statutory Deposits	0	0	0
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)	0	0	0
	Funds Held for Others - Texas Treasury Acct-Granite State Insurance Co	0	0	0
	Funds Held for Others - PCF Surcharge Refunds	23,354	23,354	0
<b>Reinsurance Receivable</b>				
13	Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	0	0	0
14	Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	0	0	0
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	0	0	0
18	Receivable from Parents, Subsidiaries & Affiliates	0	0	0
19	Receivable from Guaranty Associations - Early Access Payments	7,019,545	6,939,545	(80,000)
20	Other Receivables	0	0	0
	Investment Income Due & Accrued	0	0	0
		0	0	0
<b>Other Assets</b>				
21	FF&E	0	0	0
22	Other Assets	4,534	4,534	0
	<b>Total Assets</b>	<b>11,750,842</b>	<b>11,371,762</b>	<b>(379,080)</b>

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

**For Period Ending  
02/28/22**

Line		02/28/22
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	79,811
	Liquidation Oversight	5,814
	Special Master's Fees	
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	3,105,822
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	6,844,030
	LAE Reserves	3,706,305
<b>Policy Claims - Class 2</b>		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	8,833,993
	Loss Claims Reserves	8,352,605
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	22,954,201
9	LAE - Other	
10	Unearned & Advance Premium Claims - GA	1,034,543
11	Unearned & Advance Premium Claims - Other	254,106
<b>Other Liabilities</b>		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	2,390,838
15	Class 5 Reinsurance Related Unsecured Claims	2,852,078
16	Class 6 Claims	16,993
17	Class 7 Claims	
18	Class 8 Claims	75,000
19	Class 9 Claims	
20	Class 10 Interest	
21	Class 11 Claims	
22	Other Liabilities	3,419,118
	<b>Total Liabilities</b>	63,925,257
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(52,553,495)
	<b>Total Liabilities &amp; Equity</b>	11,371,762

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

**For Period Ending  
02/28/22**

**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	29,705
Unsec Creditors-LAE Atty Fees-POCs received not yet adjudicated	2,304,246
Totals	<u>2,390,838</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**

2/28/2022

Line	11/30/21	02/28/22	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	94,908	79,811	(15,097)
Liquidation Oversight	6,266	5,814	(452)
Special Master's Fees	0	0	0
5 Administrative Claims - Guaranty Assns	0	0	0
Administrative Expense Paid	3,021,351	3,105,822	84,471
Administrative Expense Reserves	0	0	0
6 LAE - Guaranty Assns	0	0	0
LAE Paid	6,229,647	6,844,030	614,383
LAE Reserves	4,032,680	3,706,305	(326,375)
<b>Policy Claims - Class 2</b>			
7 Loss Claims - Guaranty Assns	0	0	0
Loss Claims Paid	7,687,031	8,833,993	1,146,962
Loss Claims Reserves	9,277,442	8,352,605	(924,837)
8 Loss Claims - Other	0	0	0
Other Loss Claims Paid	0	0	0
Other Loss Claims Reserves	24,904,201	22,954,201	(1,950,000)
9 LAE - Other	0	0	0
10 Unearned & Advance Premium Claims - GA	1,031,427	1,034,543	3,116
11 Unearned & Advance Premium Claims - Other	257,222	254,106	(3,116)
<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	2,488,872	2,390,838	(98,034)
15 Class 5 Reinsurance Related Unsecured Claims	2,852,078	2,852,078	0
16 Class 6 Claims	16,993	16,993	0
17 Class 7 Claims	0	0	0
18 Class 8 Claims	75,000	75,000	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	3,419,118	3,419,118	0
	0	0	0
	0	0	0
<b>Total Liabilities</b>	<b>65,394,236</b>	<b>63,925,257</b>	<b>(1,468,979)</b>
23 Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(53,643,394)	(52,553,495)	1,089,899
<b>Total Liabilities &amp; Equity</b>	<b>11,750,842</b>	<b>11,371,762</b>	<b>(379,080)</b>

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

For Period Ending  
02/28/22

	Qtr Ending Feb-22
<b>Income</b>	
Premium Receipts	0
Agents' Balances Received	0
Reinsurance Recoveries	2,165
Salvage & Subrogation Recoveries	0
Affiliates Recovery	0
Settlement/Litigation Recovery	0
Other Receipts	1,800
Sale of Real & Personal Property	0
Investment Sales/Receipts	0
Other Asset Receipts	0
<b>Total Receipts from Assets/Receivables</b>	<b>3,965</b>
Interest & Dividend Receipts, EA Interest	0
Cash Deposit Interest	182
<b>Total Cash Receipts</b>	<b>4,147</b>
<b>Disbursements</b>	
SDR Fees & Expenses	164,152
Subcontractor Legal Fees & Expenses	13,362
Subcontractor Other Fees & Expenses	85,101
Non-Subcontractor Fees & Expenses	0
Other Expenses	24,012
RLO Fees & Expenses	16,600
<b>Total Disbursements for Operations</b>	<b>303,227</b>
Loss Claims & LAE Expense Payments	0
Early Access Payments - GA	0
Refunds & Other Distributions	0
<b>Total Cash Distributions</b>	<b>0</b>
<b>Total Cash Disbursements &amp; Distributions</b>	<b>303,227</b>
<b>Net Increase(Decrease) in Cash</b>	<b>(299,080)</b>
<i>Cash at Beginning of Period</i>	4,703,409
<i>Cash at End of Period</i>	4,404,329

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Greg Pierce on behalf of Greg Pierce  
Bar No. 15994250  
gpierce@gpiercelaw.com  
Envelope ID: 62622417  
Status as of 3/15/2022 3:48 PM CST

#### Case Contacts

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