

Report for Special Master's Status Conference

July 26, 2022

R-561 Capson Physicians Insurance Company

Special Deputy Receiver ("SDR"): CANTILO & BENNETT, L.L.P.

Primary Responsible Person: Joseph N. West

Estate Counsel: Greg Pierce and Christopher Fuller

Receiver's Counsel: David Ashton and Brian Riewe

RLO Analyst: Kathy Gartner

Background on Receivership

- Date of Permanent Injunction (Rehabilitation/Liquidation): February 11, 2019/June 28, 2019
- Date of SDR Rehabilitation Appointment: February 11, 2019
- Date of Conversion to Liquidation: June 28, 2019
- Claims Filing Deadline: December 28, 2020
- States Where Licensed: TX, AL, AK, AZ, AR, D.C., ID, IL, IN, KY, LA, MD, MS, MO, MT, NE, NV, NM, ND, OK, OR, SD, WA, WV, WI
- Lines of Business: Medical Malpractice
- Texas Property and Casualty Insurance Guaranty Association Triggered: June 28, 2019
- Initial Early Access Distribution: \$6,689,544.21 Issued July 2, 2021

Statement of Assets and Liabilities as of June 30, 2022

Total Assets:	\$11,323,600
Cash & Invested Assets:	\$ 4,356,167
Non-Cash Assets:	\$ 6,967,433
Total Liabilities:	\$57,355,790
Negative Equity:	(\$46,032,190)

Status and Activity Since Last Status Conference

General Matters

Operations During Coronavirus Pandemic: The SDR continues to conduct receivership operations utilizing video conferencing for all meetings of the receivership staff, as well as most other meetings required for administration of the receivership estate.

Federal Waiver: Efforts remain underway to secure a federal waiver for the CPIC estate. The SDR is currently working to determine if CPIC properly reported to Centers for Medicare and Medicaid Services all claims with indemnity payments associated with potential secondary payer recovery claims. The SDR will correct all reporting errors.

Claims Activity

Proof of Claim (“POC”) Process: As of June 30, 2022, claimants have filed approximately 495 POCs (excluding any companion POC’s arising from the same medical incident) with the CPIC receivership estate. As of June 30, 2022, claim determinations have been issued on three-hundred thirty-three (333) POC’s.

Claim Litigation: There were no new lawsuits filed against CPIC and/or the SDR during the last quarter.

Guaranty Association Reporting: As of June 30, 2022, the Guaranty Associations have submitted the loss reports summarized below. In preparation for wind-down and closure of the receivership estate, the SDR continues to work with the Guaranty Associations in an effort to identify claim matters expected to remain open beyond September 30, 2022. The SDR currently estimates that approximately 46 claims with the Guaranty Associations will be open and unresolved as of September 30, 2022.

State	Report Date	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Paid Unearned Premium
AK	06/30/22	\$475,000.00	\$336,168.30	\$0.00	\$0.00	\$11,218.65
AL	06/30/22	\$140,000.00	\$180,327.91	\$55,000.00	\$6,985.09	\$21,588.00
AR	03/31/22	\$12,000.00	\$456,157.41	\$465,001.00	\$23,101.15	\$12,379.12
AZ	05/31/22	\$714,800.00	\$446,228.18	\$134,900.00	\$3,788.39	\$44,970.40
DC	05/31/21	\$0.00	\$0.00	\$0.00	\$0.00	\$8,203.50
IA	12/31/19	\$0.00	\$0.00	\$0.00	\$0.00	\$180.00
IL	05/31/22	\$182,061.65	\$166,146.46	\$0.00	\$0.00	\$24,792.00
IN	06/30/22	\$362,001.00	\$123,970.75	\$3,000.00	\$13,266.97	\$272.11
KY	06/30/22	\$300,000.00	\$337,151.42	\$440,002.00	\$262,284.06	\$28,672.60
LA	06/30/22	\$249,900.00	\$421,639.20	\$449,900.00	\$267,253.49	\$19,181.07
MD	08/31/21	\$0.00	\$0.00	\$0.00	\$0.00	\$23,030.65
MO	05/31/22	\$988,380.49	\$289,630.31	\$0.00	\$46,729.50	\$123,766.15
MS	03/31/22	\$0.00	\$10,434.81	\$0.00	\$0.00	\$18,536.09
NM	06/30/22	\$1,492,500.00	\$754,118.99	\$205,000.00	\$56,057.19	\$44,081.95
NV	06/30/22	\$810,000.00	\$167,959.56	\$0.00	\$25,000.00	\$11,751.60
OK	03/31/22	\$887,500.00	\$446,228.72	\$425,001.00	\$48,461.46	\$34,623.77
OR	03/31/22	\$30,000.00	\$49,490.26	\$0.00	\$0.00	\$11,303.55
TN	05/31/22	\$170,000.00	\$166,536.89	\$200,000.00	\$167,469.64	\$0.00
TX	06/30/22	\$2,269,849.86	\$2,061,213.37	\$2,690,014.00	\$854,723.79	\$486,135.02
WA	05/31/22	\$0.00	\$27,555.66	\$30,000.00	\$152,444.34	\$489.00
WV	06/30/22	\$825,000.00	\$909,902.79	\$500,001.00	\$448,317.02	\$109,368.15
Totals	06/30/22	\$9,908,993.00	\$7,350,860.99	\$5,597,819.00	\$2,375,882.09	\$1,034,543.38

Asset Recovery Activity

Recovery of Unpaid Premium and Agent Balances: As of June 30, 2022, the SDR has collected unpaid premium totaling \$12,922 out of the \$47,039.49 sought for recovery. Agent balances collected as of June 30, 2022, totaled \$16,330 out of the \$18,751.80 sought for recovery. The SDR is issuing correspondence reasserting its demands for payment of outstanding amounts due, and is working to report these outstanding obligations to appropriate credit and licensing agencies.

Statutory Deposits: CPIC has statutory deposits in New Mexico (\$330,000) and Oregon (\$425,000). The New Mexico and Oregon statutory deposits are being held in ancillary receiverships for the protection of policyholders within these states. With respect to the Oregon statutory deposit, the SDR is working with the Oregon ancillary receiver and the Oregon Insurance Guaranty Association to determine if all claims in Oregon are closed and if so, to recover any funds remaining from the statutory deposit.

Reinsurance: The SDR continues to report to reinsurers as required under CPIC's reinsurance agreements. Reinsurance recoveries from inception through June 30, 2022, total \$1,319,011. The SDR also continues to assess the commutation value of the various excess of loss ("XOL") and quota share reinsurance treaties. With respect to the quota share treaties, the SDR is currently evaluating whether a reserve analysis of all open claims filed with state insurance guaranty associations is required in support of quota share commutation offers. With respect to the XOL treaties, the SDR has completed its analysis and is working to finalize all commutation offers. The SDR anticipates that it will begin communicating commutation offers to reinsurers within the next few weeks.

General Legal Activities

Litigation: No first party lawsuits involving CPIC exist at this time.

Regulatory Action: CPIC's license has been suspended or revoked in Alabama, Alaska, Arkansas, Idaho, Illinois, Iowa, Kentucky, Louisiana, Maryland, Missouri, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Washington, and West Virginia.

Summary of Major Achievements

- Continued issuance of claim determinations for POCs filed with the receivership estate.
- Achieved substantial progress on the identification of Guaranty Association claim matters expected to remain open beyond September 30, 2022.
- Achieved substantial progress on SDR request for federal waiver including the identification of claim matters with indemnity payments associated with potential secondary payer recovery claims.

Estate Goals to Achieve Prior to Next Status Conference

- Achieve further progress on recovery of amounts determined to be due and recoverable from reinsurers, including the initiation of discussions with reinsurers regarding commutation.
- Continue issuance of claim determinations for POCs filed with the receivership estate.
- Complete identification of Guaranty Association claims expected to remain open beyond September 30, 2022.
- File request for federal waiver with the U.S. Department of Justice.

Estate Closing Date of Receivership: December 31, 2022

Identification of Factors Affecting Closing Date and Final Distribution: Completion of asset recovery actions including collection of amounts due under reinsurance agreements. Securing federal waiver for the CPIC receivership estate.