

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
(JUNE 1, 2022 THROUGH AUGUST 31, 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 June 1, 2022 to August 31, 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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Special Deputy Receiver of
Capson Physicians Insurance Company**

CERTIFICATE OF SERVICE

I certify that on September 15, 2022, a true and correct copy of the foregoing *Special Deputy Receiver's Quarterly Financial Report and Summary Statement of Expenses (June 1, 2022 to August 31, 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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**Capson Physicians Insurance Company
Statement of Expenses**

For Period Ending
08/31/22

	Total June	Total July	Total Aug	Total Quarter
SDR				
Cantilo & Bennett, LLP				
Partner/Attorney	24,552.00	27,192.00	28,160.00	79,904.00
Partner/Attorney	18,832.00	11,506.00	13,706.00	44,044.00
Partner/Attorney	198.00	330.00	264.00	792.00
Associate	19,856.00	19,584.00	5,304.00	44,744.00
Associate	5,695.00	1,462.00	867.00	8,024.00
Associate	13,787.00	3,570.00	1,020.00	18,377.00
Legal Assistant	123.50	1,657.50	2,385.50	4,166.50
Expenses	469.25	1,879.76	16.09	2,365.10
Total SDR Billing	83,512.75	67,181.26	51,722.59	202,416.60
SDR Subcontractors - Legal				
Inquest Resources				
Paralegal	120.00	112.00	120.00	352.00
Receivership Specialist I	472.00	160.00	120.00	752.00
Receivership Specialist II	55.00	40.00	95.00	190.00
Receivership Specialist II/Travel	25.00	0.00	0.00	25.00
Expenses	56.35	1.66	0.00	58.01
Total Billing	728.35	313.66	335.00	1,377.01
Greg Pierce-Attorney at Law				
Attorney	11,100.00	5,100.00	4,350.00	20,550.00
Expenses	8.48	0.00	0.00	8.48
Total Billing	11,108.48	5,100.00	4,350.00	20,558.48
Total Legal Subcontractors	11,836.83	5,413.66	4,685.00	21,935.49
SDR Subcontractors - Other				
Petrosewicz & Company, Inc				
Accountant-Principal/ C.P.A.	1,242.00	1,026.00	846.00	3,114.00
Staff Accountant	1,270.50	1,449.00	1,239.00	3,958.50
Staff Accountant	0.00	0.00	766.50	766.50
Accounting Clerical Staff	17.50	0.00	0.00	17.50
Expenses	64.02	42.44	93.44	199.90
Total Billing	2,594.02	2,517.44	2,944.94	8,056.40
EMKAY Associates				
Claims and IT	1,358.50	1,197.00	589.00	3,144.50
Expenses	0.00	0.00	0.00	0.00
Total Billing	1,358.50	1,197.00	589.00	3,144.50
Milford Consulting				
Receivership Specialist I	9,184.00	9,114.00	9,926.00	28,224.00
Reinsurance Specialist	3,162.50	1,862.50	800.00	5,825.00
Receivership Specialist III	6,489.00	5,031.00	5,499.00	17,019.00
Receivership Specialist II	1,598.50	851.00	1,035.00	3,484.50
Receivership Specialist III	1,332.00	918.00	927.00	3,177.00
IT Specialist	2,147.00	1,729.00	902.50	4,778.50
Expenses	56.41	58.72	63.20	178.33
Total Billing	23,969.41	19,564.22	19,152.70	62,686.33
Total Other SDR Subcontractors	27,921.93	23,278.66	22,686.64	73,887.23

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Capson Physicians Insurance Company
Statement of Expenses

For Period Ending
08/31/22

	Total June	Total July	Total Aug	Total Quarter
Receivership Service Providers				
Echo Ridge Partners iCat Maintenance	2,083.00	2,083.00	2,083.00	6,249.00
MyITpros	4,031.96	4,031.96	3,943.89	12,007.81
Rackspace-Email service	324.49	324.49	324.49	973.47
Inventory/Moving/Storage-Safesite	85.00	85.00	85.00	255.00
Pay Pal Charges-Verification receipts	41.55	15.00	27.86	84.41
Chase Bank Operating Fees	165.04	160.08	159.19	484.31
Operating Account Bank Fees	0.00	0.00	45.00	45.00
Texas Treasury-Non Restricted	163.92	80.84	83.11	327.87
Total Other	6,894.96	6,780.37	6,751.54	20,426.87
Sub-Total SDR, Subcontractor & Provider Expenses				
Sub-Total SDR, Subcontractor & Provider Expenses	130,166.47	102,653.95	85,845.77	318,666.19
Liquidation Oversight Allocation				
RLO Allocation	4,926.56	7,425.40	6,242.23	18,594.19
Special Master's Fees	83.95	186.66	95.00	365.61
Total RLO & SM Expense	5,010.51	7,612.06	6,337.23	18,959.80
Total Expenses	135,176.98	110,266.01	92,183.00	337,625.99

Capson Physicians Insurance Company
Statement of Net Assets

For the Period Ending
08/31/22

Line		08/31/22
Cash		
1	Cash	
	Cash - Unrestricted	4,172,122
	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	
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
Reinsurance Receivable		
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	
Other Receivables		
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	
Other Assets		
21	FF&E	
22	Other Assets	4,534
	Total Assets	11,139,555

NOTES

Ref No.

13	Reinsurance Recoverables on Paid Losses	301,263
	Allowance for Uncollectible	(301,263)
	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>

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

**For Period Ending
08/31/22**

Line		08/31/22
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	79,419
	Liquidation Oversight	6,242
	Special Master's Fees	95
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	3,547,625
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	7,565,958
	LAE Reserves	2,320,774
Policy Claims - Class 2		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	10,407,094
	Loss Claims Reserves	4,977,314
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	17,854,201
9	LAE - Other	
10	Unearned & Advance Premium Claims - GA	1,041,812
11	Unearned & Advance Premium Claims - Other	246,837
Other Liabilities		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	2,022,564
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
	Total Liabilities	56,433,124
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(45,293,569)
	Total Liabilities & Equity	11,139,555

NOTES

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

**For Period Ending
08/31/22**

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	1,935,972
Totals	<u>2,022,564</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

8/31/2022

Line		05/31/22	08/31/22	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	102,705	79,419	(23,286)
	Liquidation Oversight	5,360	6,242	882
	Special Master's Fees	149	95	(54)
5	Administrative Claims - Guaranty Assns	0	0	0
	Administrative Expense Paid	3,270,216	3,547,625	277,409
	Administrative Expense Reserves	0	0	0
6	LAE - Guaranty Assns	0	0	0
	LAE Paid	7,181,891	7,565,958	384,067
	LAE Reserves	2,755,059	2,320,774	(434,285)
Policy Claims - Class 2				
7	Loss Claims - Guaranty Assns	0	0	0
	Loss Claims Paid	9,658,993	10,407,094	748,101
	Loss Claims Reserves	5,840,620	4,977,314	(863,306)
8	Loss Claims - Other	0	0	0
	Other Loss Claims Paid	0	0	0
	Other Loss Claims Reserves	21,504,201	17,854,201	(3,650,000)
9	LAE - Other	0	0	0
10	Unearned & Advance Premium Claims - GA	1,034,543	1,041,812	7,269
11	Unearned & Advance Premium Claims - Other	254,106	246,837	(7,269)
Other Liabilities				
12	Class 3 Claims	0	0	0
13	Class 4 Claims	0	0	0
14	Class 5 General Unsecured Creditor Claims	2,058,818	2,022,564	(36,254)
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
	Total Liabilities	60,029,850	56,433,124	(3,596,726)
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(48,613,649)	(45,293,569)	3,320,080
	Total Liabilities & Equity	11,416,201	11,139,555	(276,646)

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

**For Period Ending
08/31/22**

	Qtr Ending Aug-22
Income	
Premium Receipts	0
Agents' Balances Received	0
Reinsurance Recoveries	63,958
Salvage & Subrogation Recoveries	0
Affiliates Recovery	0
Settlement/Litigation Recovery	0
Other Receipts	2,071
Sale of Real & Personal Property	0
Investment Sales/Receipts	0
Other Asset Receipts	0
Total Receipts from Assets/Receivables	66,029
Interest & Dividend Receipts, EA Interest	0
Cash Deposit Interest	17,409
Total Cash Receipts	83,438
Disbursements	
SDR Fees & Expenses	235,503
Subcontractor Legal Fees & Expenses	19,262
Subcontractor Other Fees & Expenses	66,911
Non-Subcontractor Fees & Expenses	0
Other Expenses	20,425
RLO Fees & Expenses	17,983
Total Disbursements for Operations	360,084
Loss Claims & LAE Expense Payments	0
Early Access Payments - GA	0
Refunds & Other Distributions	0
Total Cash Distributions	0
Total Cash Disbursements & Distributions	360,084
Net Increase(Decrease) in Cash	(276,646)
Cash at Beginning of Period	4,448,768
Cash at End of Period	4,172,122