

Report for Special Master's Status Conference

August 4, 2023

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: Edwin Hartsfield

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
- Early Access Distribution: \$6,935,545 as of June 30, 2023

Statement of Assets and Liabilities as of June 30, 2023

Total Assets:	\$10,449,631
Cash & Invested Assets:	\$ 3,482,198
Non-Cash Assets:	\$ 6,967,433
Total Liabilities:	\$44,818,844
Negative Equity:	(\$34,369,213)

Status and Activity Since Last Status Conference

General Matters

Administrative Operations: 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: On April 21, 2023, the SDR filed its request for federal waiver with the U.S. Department of Justice. Receipt of response from the U.S. Department of Justice regarding this matter is not expected for several months and thus may impact the ultimate date for closure of the receivership estate.

Claims Activity

Proof of Claim (“POC”) Process: As of June 30, 2023, 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, 2023, claim determinations have been issued on four-hundred nine (409) POC’s leaving eighty-six (86) remaining for determination.

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, 2023, the Guaranty Associations have submitted the loss reports summarized below.

State	Report Date	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Paid Unearned Premium
AK	01/31/23	\$475,000.00	\$338,658.86	\$0.00	\$0.00	\$11,218.65
AL	04/30/23	\$140,000.00	\$274,481.36	\$55,000.00	\$1,211.31	\$21,588.00
AR	03/31/23	\$12,000.00	\$562,467.70	\$475,000.00	\$14,539.59	\$12,379.12
AZ	03/31/23	\$714,800.00	\$446,609.18	\$0.00	\$0.00	\$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	04/30/23	\$182,061.65	\$166,146.46	\$0.00	\$0.00	\$24,792.00
IN	04/30/23	\$362,001.00	\$126,084.35	\$3,000.00	\$11,153.37	\$272.11
KY	05/31/23	\$600,000.00	\$486,984.34	\$145,002.00	\$275,193.71	\$28,672.60
LA	05/31/23	\$339,900.00	\$487,984.13	\$344,900.00	\$185,187.58	\$19,181.07
MD	08/31/21	\$0.00	\$0.00	\$0.00	\$0.00	\$23,030.65
MO	04/30/23	\$988,380.49	\$285,448.43	\$0.00	\$0.00	\$123,766.15
MS	05/31/23	\$0.00	\$10,434.81	\$0.00	\$0.00	\$18,536.09
NM	05/31/23	\$1,537,500.00	\$861,136.15	\$300,000.00	\$46,839.34	\$44,081.95
NV	04/30/23	\$810,000.00	\$167,959.56	\$0.00	\$25,000.00	\$11,751.60
OK	05/31/23	\$910,601.00	\$506,534.22	\$175,000.00	\$34,986.50	\$34,623.77
OR	03/31/23	\$30,000.00	\$50,523.26	\$0.00	\$0.00	\$11,303.55
TN	05/31/23	\$187,500.00	\$298,811.96	\$113,900.00	\$35,194.57	\$0.00
TX	05/31/23	\$2,814,849.86	\$2,706,671.33	\$1,775,006.00	\$650,631.84	\$486,135.02
WA	05/31/23	\$40,000.00	\$50,971.61	\$20,000.00	\$129,028.39	\$7,758.00
WV	05/31/23	\$1,025,000.00	\$953,545.24	\$300,000.00	\$219,852.94	\$109,368.15
Total	06/30/23	\$11,169,594.00	\$8,781,452.95	\$3,701,808.00	\$1,628,819.14	\$1,041,812.38

Asset Recovery Activity

Recovery of Unpaid Premium and Agent Balances: As of June 30, 2023, the SDR has collected unpaid premium totaling approximately \$15,874 out of the \$47,039.49 sought for recovery. Agent balances collected as of June 30, 2023, totaled approximately \$16,330 out of the \$18,751.80 sought for recovery.

Statutory Deposits: CPIC had 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. In February 2022, \$250,000 of New Mexico's statutory deposit was approved as an early access distribution as part of the New Mexico ancillary proceedings. In June 2023, the SDR and the Oregon ancillary receiver reached an agreement on release of the statutory deposit. This special deposit release agreement, when fully executed, will facilitate refund of any unused portions of the Oregon statutory deposit.

Reinsurance: The SDR continues to report to reinsurers as required under CPIC's reinsurance agreements. Reinsurance recoveries from inception through June 30, 2023, total \$1,452,152. As previously reported, the SDR has completed its assessment of the commutation value of all reinsurance treaties and is currently in discussions with CPIC reinsurers regarding same.

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.
- Completed request for federal waiver with the U.S. Justice Department and now awaiting receipt of response which is expected to take several months.
- Continued discussions with CPIC reinsurers regarding the commutation of all CPIC reinsurance treaties.
- Reached agreement with the Oregon ancillary receiver regarding a special deposit release agreement facilitating the refund of any unused portions of the deposit.

Estate Goals to Achieve Prior to Next Status Conference

- Achieve further progress on commutation discussions with reinsurers.
- Continue issuance of claim determinations for POCs filed with the receivership estate.
- Complete Special Deposit Release Agreement with the Oregon ancillary receiver.

Estate Closing Date of Receivership: June 30, 2024

Identification of Factors Affecting Closing Date and Final Distribution: Completion of the commutation process for all CPIC reinsurance treaties. Securing federal waiver for the CPIC receivership estate.