

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 TH JUDICIAL DISTRICT |

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND
SUMMARY STATEMENT OF EXPENSES
(DECEMBER 1, 2023 THROUGH FEBRUARY 29, 2024)**

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, 2023 to February 29, 2024. 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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**Attorneys for CANTILO & BENNETT, LLP,
Special Deputy Receiver of
Capson Physicians Insurance Company**

CERTIFICATE OF SERVICE

I certify that on March 15, 2024, a true and correct copy of the foregoing SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND SUMMARY STATEMENT OF EXPENSES (DECEMBER 1, 2023 TO FEBRUARY 29, 2024) 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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/s/ Greg Pierce

Gregory A. Pierce

**Capson Physicians Insurance Company
Statement of Expenses**

**For Period Ending
02/29/24**

| | Total Dec | Total Jan | Total Feb | Total Quarter |
|---------------------------------------|----------------------|----------------------|----------------------|--------------------------|
| SDR | | | | |
| Cantilo & Bennett, LLP | | | | |
| Partner/Attorney | 6,248.00 | 24,354.00 | 21,186.00 | 51,788.00 |
| Partner/Attorney | 792.00 | 4,290.00 | 5,896.00 | 10,978.00 |
| Partner/Attorney | 132.00 | 154.00 | 220.00 | 506.00 |
| Associate | 2,958.00 | 4,845.00 | 2,822.00 | 10,625.00 |
| Associate | 289.00 | 1,037.00 | 1,003.00 | 2,329.00 |
| Associate | 0.00 | 102.00 | 0.00 | 102.00 |
| Legal Assistant | 3,997.50 | 6,890.00 | 3,802.50 | 14,690.00 |
| Expenses | 10.08 | 11.28 | 8.56 | 29.92 |
| Total SDR Billing | 14,426.58 | 41,683.28 | 34,938.06 | 91,047.92 |
| SDR Subcontractors - Legal | | | | |
| Inquest Resources | | | | |
| Receivership Specialist I | 144.00 | 80.00 | 0.00 | 224.00 |
| Receivership Specialist II | 5.00 | 5.00 | 0.00 | 10.00 |
| Expenses | 0.00 | 4.08 | 0.00 | 4.08 |
| Total Billing | 149.00 | 89.08 | 0.00 | 238.08 |
| Greg Pierce-Attorney at Law | | | | |
| Attorney | 800.00 | 1,050.00 | 2,075.00 | 3,925.00 |
| Expenses | 0.00 | 4.24 | 0.00 | 4.24 |
| Total Billing | 800.00 | 1,054.24 | 2,075.00 | 3,929.24 |
| Total Legal Subcontractors | 949.00 | 1,143.32 | 2,075.00 | 4,167.32 |
| SDR Subcontractors - Other | | | | |
| Petrosewicz & Company, Inc | | | | |
| Accountant-Principal/ C.P.A. | 774.00 | 558.00 | 594.00 | 1,926.00 |
| Staff Accountant | 714.00 | 1,207.50 | 850.50 | 2,772.00 |
| Staff Accountant | 0.00 | 178.50 | 136.50 | 315.00 |
| Expenses | 28.45 | 52.31 | 33.87 | 114.63 |
| Total Billing | 1,516.45 | 1,996.31 | 1,614.87 | 5,127.63 |
| EMKAY Associates | | | | |
| Claims and IT | 484.50 | 598.50 | 883.50 | 1,966.50 |
| Expenses | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Billing | 484.50 | 598.50 | 883.50 | 1,966.50 |
| Tharp and Associates | | | | |
| Reinsurance and Forensic Consultant | 900.00 | 6,918.75 | 5,962.50 | 13,781.25 |
| Expenses | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Billing | 900.00 | 6,918.75 | 5,962.50 | 13,781.25 |
| Milford Consulting | | | | |
| Receivership Specialist I | 2,786.00 | 2,590.00 | 2,254.00 | 7,630.00 |
| Receivership Specialist III | 2,817.00 | 2,106.00 | 1,809.00 | 6,732.00 |
| Receivership Specialist III | 477.00 | 729.00 | 720.00 | 1,926.00 |
| IT Specialist | 627.00 | 722.00 | 494.00 | 1,843.00 |
| Expenses | 60.95 | 60.98 | 60.98 | 182.91 |
| Total Billing | 6,767.95 | 6,207.98 | 5,337.98 | 18,313.91 |
| Total Other SDR Subcontractors | 9,668.90 | 15,721.54 | 13,798.85 | 39,189.29 |

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Capson Physicians Insurance Company
Statement of Expenses

For Period Ending
02/29/24

| | Total Dec | Total Jan | Total Feb | Total Quarter |
|-------------------------------------------------------------|------------------|------------------|------------------|-------------------|
| Receivership Service Providers | | | | |
| IMA Colorado Division--SDR Bond | 0.00 | 1,200.00 | | 1,200.00 |
| Echo Ridge Partners iCat Maintenance | 2,083.00 | 2,083.00 | 2,083.00 | 6,249.00 |
| Integris/MyITpros | 3,985.29 | 3,985.29 | 3,985.29 | 11,955.87 |
| Rackspace-Email service | 258.40 | 258.40 | 258.40 | 775.20 |
| Inventory/Moving/Storage-Safesite | 85.00 | 85.00 | 85.00 | 255.00 |
| Pay Pal Charges-Verification receipts | 0.00 | 13.92 | 0.00 | 13.92 |
| Operating Account Bank Fees | 15.00 | 15.00 | 15.00 | 45.00 |
| Texas Treasury-Non Restricted | 60.49 | 61.09 | 60.33 | 181.91 |
| Total Other | 6,487.18 | 7,701.70 | 6,487.02 | 20,675.90 |
| Sub-Total SDR, Subcontractor & Provider Expenses | | | | |
| Sub-Total SDR, Subcontractor & Provider Expenses | 31,531.66 | 66,249.84 | 57,298.93 | 155,080.43 |
| Liquidation Oversight Allocation | | | | |
| RLO Allocation | 6,636.70 | 2,761.97 | 5,140.74 | 14,539.41 |
| Special Master's Fees | 138.87 | 5.45 | 68.33 | 212.65 |
| Total RLO & SM Expense | 6,775.57 | 2,767.42 | 5,209.07 | 14,752.06 |
| Total Expenses | 38,307.23 | 69,017.26 | 62,508.00 | 169,832.49 |

Capson Physicians Insurance Company
Statement of Net Assets

For the Period Ending
02/29/24

| Line | | 02/29/24 |
|-------------------------------|------------------------------------------------------------------------|------------------|
| Cash | | |
| 1 | Cash | |
| | Cash - Unrestricted | 2,911,034 |
| | APF Funds (Loan proceeds) | |
| Investments | | |
| 2 | Short-Tem 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 | 9,878,467 |

Capson Physicians Insurance Company
Statement of Net Assets

For the Period Ending
02/29/24

NOTES

Ref No.

| | | |
|------|-------------------------------------------------------|-------------|
| 13 | Reinsurance Recoverables on Paid Losses | 3,257,642 |
| | Allowance for Uncollectible | (3,257,642) |
| | Net Amount | 0 |
| | | |
| 14 | Reinsurance Recoverables on Unpaid Losses & LAE-Gross | |
| | Allowance for Uncollectible | |
| | Net Amount | 0 |
| | | |
| 17 | Premiums Receivable | 63,844 |
| | Amounts Due From Agents-Unearned Commissions | 0 |
| | Allowance for Uncollectible | (63,844) |
| | Net Amount | 0 |
| | | |
| 22 | Other Assets are as follows: | |
| | Prepaid Expenses | 140,650 |
| | Allowance for Uncollectible Amounts | (140,650) |
| | Policy Admin Software | 60,124 |
| | Allowance for Uncollectible Amounts | (60,124) |
| | New Mexico Ancillary Receiver Gross | 80,000 |
| | Allowance for Uncollectible | (80,000) |
| | Oregon Ancillary Receiver Gross | 424,250 |
| | Allowance for Uncollectible | (424,250) |
| | Guaranty Fund Assessment | 4,534.00 |
| | Total | 4,534 |

Capson Physicians Insurance Company
Statement of Net Liabilities

For Period Ending
02/29/24

| Line | | 02/29/24 |
|----------------------------------------|-----------------------------------------------------------------------|---------------------|
| 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 | 51,070 |
| | Liquidation Oversight | 5,141.00 |
| | Special Master's Fees | 68.00 |
| 5 | Administrative Claims - Guaranty Assns | |
| | Administrative Expense Paid | 4,131,073 |
| | Administrative Expense Reserves | |
| 6 | LAE - Guaranty Assns | |
| | LAE Paid | 9,358,014 |
| | LAE Reserves | 804,920 |
| Policy Claims - Class 2 | | |
| 7 | Loss Claims - Guaranty Assns | |
| | Loss Claims Paid | 12,514,080 |
| | Loss Claims Reserves | 1,688,004 |
| 8 | Loss Claims - Other | |
| | Other Loss Claims Paid | |
| | Other Loss Claims Reserves | 4,685,029 |
| 9 | LAE - Other | |
| 10 | Unearned & Advance Premium Claims - GA | 1,047,290 |
| 11 | Unearned & Advance Premium Claims - Other | 16,742 |
| Other Liabilities | | |
| 12 | Class 3 Claims | |
| 13 | Class 4 Claims | |
| 14 | Class 5 General Unsecured Creditor Claims | 1,961,795 |
| 15 | Class 5 Reinsurance Related Unsecured Claims | 868,480 |
| 16 | Class 6 Claims | 107 |
| 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 | 75,433 |
| | Total Liabilities | 37,282,246 |
| 23 | Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities | (27,403,779) |
| | Total Liabilities & Equity | 9,878,467 |

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

**For Period Ending
02/29/24**

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 | |
| Unsecured Creditors-POCs received not yet adjudicated | 29,705 |
| Unsec Creditors-LAE Atty Fees-POCs received not yet adjudicated | 1,932,090 |
| Totals | <u>1,961,795</u> |

22 Other Liabilities are as follows:

| | |
|--------------------------------------------------|---------------|
| Funds Held for Others-PCF Surcharge Refunds | 23,354 |
| Outstanding Items-Pre Receivership Bank Accounts | 52,079 |
| Totals | <u>75,433</u> |

R-561

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

2/29/2024

| Line | | 11/30/23 | 02/29/24 | 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 | 59,980 | 51,070 | (8,910) |
| | Liquidation Oversight | 6,741 | 5,141 | (1,600) |
| | Special Master's Fees | 75 | 68 | (7) |
| 5 | Administrative Claims - Guaranty Assns | 0 | 0 | 0 |
| | Administrative Expense Paid | 3,998,571 | 4,131,073 | 132,502 |
| | Administrative Expense Reserves | 0 | 0 | 0 |
| 6 | LAE - Guaranty Assns | 0 | 0 | 0 |
| | LAE Paid | 9,204,332 | 9,358,014 | 153,682 |
| | LAE Reserves | 1,041,397 | 804,920 | (236,477) |
| Policy Claims - Class 2 | | | | |
| 7 | Loss Claims - Guaranty Assns | 0 | 0 | 0 |
| | Loss Claims Paid | 12,235,280 | 12,514,080 | 278,800 |
| | Loss Claims Reserves | 2,081,219 | 1,688,004 | (393,215) |
| 8 | Loss Claims - Other | 0 | 0 | 0 |
| | Other Loss Claims Paid | 0 | 0 | 0 |
| | Other Loss Claims Reserves | 7,344,029 | 4,685,029 | (2,659,000) |
| 9 | LAE - Other | 0 | 0 | 0 |
| 10 | Unearned & Advance Premium Claims - GA | 1,041,812 | 1,047,290 | 5,478 |
| 11 | Unearned & Advance Premium Claims - Other | 22,219 | 16,742 | (5,477) |
| Other Liabilities | | | | |
| 12 | Class 3 Claims | 0 | 0 | 0 |
| 13 | Class 4 Claims | 0 | 0 | 0 |
| 14 | Class 5 General Unsecured Creditor Claims | 1,961,795 | 1,961,795 | 0 |
| 15 | Class 5 Reinsurance Related Unsecured Claims | 868,480 | 868,480 | 0 |
| 16 | Class 6 Claims | 107 | 107 | 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 | 75,432 | 75,433 | 1 |
| | Funds Held for Others-PCF Surcharge Refunds | 0 | 0 | 0 |
| | Outstanding Items-Pre Receivership Bank Accounts | 0 | 0 | 0 |
| | Total Liabilities | 40,016,469 | 37,282,246 | (2,734,223) |
| 23 | Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities | (29,998,556) | (27,403,779) | 2,594,777 |
| | Total Liabilities & Equity | 10,017,913 | 9,878,467 | (139,446) |

Capson Physicians Insurance Company
Sources & Uses of Cash

For Period Ending
02/29/24

| | Qtr Ending Feb-24 |
|-----------------------------------------------------|----------------------|
| Income | |
| Premium Receipts | 0 |
| Agents' Balances Received | 0 |
| Reinsurance Recoveries | 0 |
| Salvage & Subrogation Recoveries | 0 |
| Affiliates Recovery | 0 |
| Settlement/Litigation Recovery | 0 |
| Other Receipts | 1,250 |
| Sale of Real & Personal Property | 0 |
| Investment Sales/Receipts | 0 |
| Other Asset Receipts | 0 |
| Total Receipts from Assets/Receivables | 1,250 |
| Interest & Dividend Receipts, EA Interest | 0 |
| Cash Deposit Interest | 39,653 |
| Total Cash Receipts | 40,903 |
| Disbursements | |
| SDR Fees & Expenses | 100,615 |
| Subcontractor Legal Fees & Expenses | 3,117 |
| Subcontractor Other Fees & Expenses | 39,583 |
| Non-Subcontractor Fees & Expenses | 0 |
| Other Expenses | 20,677 |
| RLO Fees & Expenses | 16,357 |
| Total Disbursements for Operations | 180,349 |
| Loss Claims & LAE Expense Payments | 0 |
| Early Access Payments - GA | 0 |
| Refunds & Other Distributions | 0 |
| Total Cash Distributions | 0 |
| Total Cash Disbursements & Distributions | 180,349 |
| Net Increase(Decrease) in Cash | (139,446) |
| Cash at Beginning of Period | 3,050,480 |
| Cash at End of Period | 2,911,034 |

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Greg Pierce on behalf of Greg Pierce

Bar No. 15994250

gpierce@gpiercelaw.com

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Filing Description: SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND SUMMARY STATEMENT OF EXPENSES (DECEMBER 1, 2023 THROUGH FEBRUARY 29, 2024)

Status as of 3/18/2024 7:57 AM CST

Case Contacts

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