

Report for Special Master's Status Conference

July 22, 2020

R-561 Capson Physicians Insurance Company

Special Deputy Receiver: CANTILO & BENNETT, L.L.P.

Primary Responsible Person: Joseph N. West

Estate Counsel: Greg Pierce and Christopher Fuller

Receiver's Counsel: Liz Solka and James Kennedy

RLO Analyst: Kathy Gartner

Background on Receivership

- Date of Permanent Injunction (Rehabilitation/Liquidation): Feb. 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 Distributions: TBD

Statement of Assets and Liabilities as of June 30, 2020

Total Assets:	\$ 14,809,882
Cash & Invested Assets:	\$ 13,421,292
Non-Cash Assets:	\$ 1,388,590
Total Liabilities:	\$ 42,025,077
Negative Equity:	(\$ 27,215,195)

Status and Activity Since Last Status Conference

General Matters

Operations During COVID-19 Pandemic: The Special Deputy Receiver ("SDR") is operating the receivership in compliance with all federal, state, county, and city orders entered in response to the COVID-19 outbreak. All receivership operations are currently being conducted remotely utilizing SDR team-wide video conferences held on a weekly basis. Video and teleconferencing are also utilized on an as needed basis for meetings between individual project groups.

Staff Reduction: On June 30, 2020, the SDR terminated the final three (3) remaining employees of Capson Physicians Insurance Company (“CPIC”). As such, all CPIC functions in receivership are currently being performed by the SDR’s staff and subcontractors.

Preparation of CPIC Tax Returns: In accordance with CPIC’s Tax Allocation Agreement with Capson Corp. (“Corp.”) and other affiliated entities, CPIC has prepared and submitted its 2018 proforma tax return to Corp.’s tax accountant for inclusion with the group’s consolidated tax return. The SDR is working to complete CPIC’s 2019 proforma tax return before the end of the 3rd Quarter 2020.

Claims Activity

Proof of Claim (“POC”) Process: On November 25, 2019, the Receivership Court set December 28, 2020, as the claims filing deadline and the SDR has provided all requisite notice of the deadline to policyholders, creditors, and the general public. As of July 15, 2020, claimants have filed approximately 196 POC’s with the CPIC receivership estate. The SDR’s staff is underway with the review and processing of the POCs.

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

Granite State Insurance Company Program: As previously reported, on December 12, 2019, the SDR, Granite State Insurance Company (“GSIC”), and CPIC’s parent, Corp., participated in a mediation that concluded with the resolution of all disputes existing between them including the wind down of the GSIC fronting arrangement. In exchange for payments from Corp. totaling \$1,620,000, and \$6,500,000 to GSIC and CPIC respectively, the parties agreed to the mutual release of all claims existing between them. On February 10, 2020, the Receivership Court entered its order approving the noted settlements. On March 9, 2020, the Bankruptcy Court entered its order confirming the plan of reorganization for Corp. and its affiliated entities. On April 22, 2020, the Bankruptcy Court entered its Final Decree closing the bankruptcy cases and allowing for the distribution of settlement funds. As of May 27, 2020, the SDR had received all settlement funds and completed transfer of these funds to the SDR’s Texas Treasury account for safe keeping.

Guaranty Association Reporting and Early Access Distributions: As of June 30, 2020, the guaranty associations have submitted the loss reports summarized below. The SDR currently projects completion of an initial early access distribution before close of the 3rd Quarter 2020.

State	Report Date	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Paid Unearned Premium
AK	06/30/20	\$0.00	\$92,032.79	\$1,000,000.00	\$509,039.16	\$11,218.65
AL	05/31/20	\$0.00	\$23,956.11	\$170,000.00	\$10,967.85	\$21,588.00
AR	03/31/20	\$12,000.00	\$201,794.28	\$280,002.00	\$46,238.94	\$9,263.20
AZ	05/31/20	\$50,000.00	\$121,289.23	\$1,076,200.00	\$231,364.46	\$27,071.90
DC	03/31/20	\$0.00	\$0.00	\$0.00	\$0.00	\$5,618.10
IA	12/31/19	\$0.00	\$0.00	\$0.00	\$0.00	\$180.00
IL	05/31/20	\$100,000.00	\$73,058.62	\$450,000.00	\$390,591.38	\$24,792.00
IN	05/31/20	\$0.00	\$25,606.21	\$369,004.00	\$109,393.79	\$0.00
KY	06/30/20	\$0.00	\$104,892.34	\$410,002.00	\$147,481.31	\$28,672.60
LA	06/30/20	\$0.00	\$116,348.06	\$238,000.00	\$275,958.48	\$19,181.07
MD	11/30/19	\$0.00	\$0.00	\$0.00	\$0.00	\$4,765.30
MO	05/31/20	\$600,000.00	\$91,470.57	\$208,003.00	\$228,968.74	\$123,008.15
MS	05/31/20	\$0.00	\$4,180.00	\$300,000.00	\$102,820.00	\$18,536.09
NM	02/29/20	\$200,000.00	\$117,241.52	\$670,000.00	\$452,039.99	\$15,026.90
NV	05/31/20	\$510,000.00	\$95,731.80	\$450,000.00	\$152,178.61	\$11,751.60
OK	05/31/20	\$275,000.00	\$0.00	\$468,001.00	\$245,000.00	\$34,623.77
OR	03/31/20	\$2,069.50	\$16,463.39	\$50,000.00	\$129,403.50	\$11,952.05
TN	05/31/20	\$100,000.00	\$72,612.06	\$300,000.00	\$166,095.22	\$0.00
TX	06/30/20	\$135,000.00	\$572,676.65	\$4,410,034.00	\$2,151,979.76	\$400,380.54
WA	06/30/20	\$0.00	\$9,590.00	\$30,000.00	\$195,410.00	\$489.00
WV	05/31/20	\$0.00	\$38,480.19	\$2,035,043.00	\$1,393,000.00	\$107,816.15
Totals	06/30/20	\$1,984,069.50	\$1,777,423.82	\$12,914,289.00	\$6,937,931.19	\$875,935.07

Asset Recovery Activity

Receivership Action Against Corp. and Affiliated Subsidiaries: As discussed above with the GSIC matter, all disputes existing between CPIC and Corp. have been resolved. As a result, the receivership action against Corp. and its affiliated subsidiaries was dismissed on March 23, 2020.

Sale of CPIC Charter: On November 12, 2019, the SDR and Ag Workers Mutual Auto Insurance Company (“Ag Workers”) completed execution of an Agreement for Sale of Charter (“Agreement”). The SDR filed the Agreement with the Receivership Court for approval and on December 12, 2019, the Receivership Court entered its order approving the Agreement and authorizing the SDR to perform its obligations thereunder. Ag Workers’ purchase of the CPIC charter is now under review by the Texas Department of Insurance.

Statutory Deposits: CPIC has statutory deposits in New Mexico (\$330,000) and Oregon (\$425,000). The New Mexico statutory deposit is being held in an ancillary receivership for the protection of New Mexico policyholders. On November 7, 2019, the Oregon Division of Financial Regulation advised that it was not able to release its statutory deposit as it was working to establish an ancillary receivership for CPIC; however, as of the date of this report, no ancillary receivership has been instituted in Oregon.

Reinsurance: The SDR continues to report to reinsurers as required under CPIC's reinsurance agreements. With respect to reinsurance recoveries, the SDR is working to finalize a claim for approximately \$200,000 which the SDR believes is due under old quota share policies with Willis Re.

General Legal Activities

Litigation: No first party lawsuits involving CPIC exist. With respect to lawsuits against CPIC insureds, the six-month automatic stay in Texas and other states in which CPIC was licensed expired on or about December 28, 2019.

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

Summary of Major Achievements

- Finalized settlement agreements with GSIC, Corp., and its affiliated subsidiaries and obtained Receivership Court approval of same.
- Completed collection of Corp. settlement funds.
- Completed issuance of notice of proof of claim deadline in compliance with the order of the Receivership Court.
- Completed preparation of CPIC 2018 proforma tax return

Estate Goals to Achieve Prior to Next Status Conference

- Complete transaction for sale of the CPIC charter and licenses to Ag Workers.
- Complete initial early access distribution to guaranty associations.
- Complete CPIC 2019 proforma tax return.
- Complete reinsurance recovery from Willis Re.

Estate Closing Date of Receivership: TBD

Identification of Factors Affecting Closing Date and Final Distribution: TBD