

CAUSE NO. D-1-GN-19-000723

THE STATE OF TEXAS
Plaintiff,

v.

CAPSON PHYSICIANS INSURANCE
COMPANY,
Defendant.

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§

IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

250TH JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND
SUMMARY STATEMENT OF EXPENSES
(JUNE 1, 2020 THROUGH AUGUST 31, 2020)**

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, 2020 to August 31, 2020. 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, 2020, a true and correct copy of the foregoing *Special Deputy Receiver's Quarterly Financial Report and Summary Statement of Expenses (June 1, 2020 through August 31, 2020)* 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
08/31/20**

	Total June	Total July	Total Aug	Total Quarter
SDR				
Cantilo & Bennett, LLP				
Partner/Attorney	29,128.00	30,514.00	26,004.00	85,646.00
Partner/Attorney	23,518.00	14,058.00	11,572.00	49,148.00
Partner/Attorney	440.00	242.00	132.00	814.00
Associate	20,026.00	20,196.00	14,263.00	54,485.00
Associate	27,030.00	11,764.00	6,885.00	45,679.00
Associate	4,063.00	3,553.00	4,088.50	11,704.50
Legal Assistant			78.00	78.00
Law Clerk	0.00	1,742.50	2,635.00	4,377.50
Expenses	82.91	0.00	2,615.62	2,698.53
Total SDR Billing	104,287.91	82,069.50	68,273.12	254,630.53
SDR Subcontractors - Legal				
Inquest Resources				
Paralegal	24.00	8.00	8.00	40.00
Receivership Specialist I	360.00	248.00	176.00	784.00
Receivership Specialist II	30.00	10.00	10.00	50.00
Expenses	7.20	0.00	0.00	7.20
Total Billing	421.20	266.00	194.00	881.20
Greg Pierce-Attorney at Law				
Attorney	15,375.00	19,550.00	3,400.00	38,325.00
Expenses	3.33	0.00	0.00	3.33
Total Billing	15,378.33	19,550.00	3,400.00	38,328.33
Total Legal Subcontractors	15,799.53	19,816.00	3,594.00	39,209.53
SDR Subcontractors - Other				
Petrosewicz & Company, Inc				
Accountant-Principal/ C.P.A.	4,284.00	2,502.00	3,960.00	10,746.00
Staff Accountant	1,911.00	2,572.50	1,491.00	5,974.50
Staff Accountant	0.00	420.00	588.00	1,008.00
Expenses	105.19	66.40	43.57	215.16
Total Billing	6,300.19	5,560.90	6,082.57	17,943.66
EMKAY Associates				
Claims and IT	4,598.00	2,907.00	2,907.00	10,412.00
Expenses	0.00	0.00	0.00	0.00
Total Billing	4,598.00	2,907.00	2,907.00	10,412.00
Milford Consulting				
Receivership Specialist I	10,584.00	12,404.00	8,456.00	31,444.00
Reinsurance Specialist	10,087.50	8,237.50	6,962.50	25,287.50
Receivership Specialist III	5,337.00	4,743.00	3,186.00	13,266.00
Receivership Specialist II	2,369.00	3,105.00	1,828.50	7,302.50
Receivership Specialist III	0.00	5,364.00	4,050.00	9,414.00
IT Specialist	0.00	9,034.50	7,391.00	16,425.50
Expenses	55.32	57.19	57.19	169.70
Total Billing	28,432.82	42,945.19	31,931.19	103,309.20
Total Other SDR Subcontractors	39,331.01	51,413.09	40,920.76	131,664.86

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**Capson Physicians Insurance Company
Statement of Expenses**

**For Period Ending
08/31/20**

	Total June	Total July	Total Aug	Total Quarter
Receivership Service Providers				
G&A Partners-Payroll	84,550.17	0.00	0.00	84,550.17
Echo Ridge Partners iCat Maintenance	2,083.33	2,083.00	2,083.33	6,249.66
MyITpros	4,799.88	4,799.85	4,799.88	14,399.61
Rackspace-Email service	338.35	310.63	310.63	959.61
Cantilo & Bennett-Rent	(4,900.00)	0.00	0.00	(4,900.00)
Inventory/Moving/Storage-Safesite	85.00	85.00	85.00	255.00
Bank Charges-US Bank Oregon Stat Dep	0.00	0.00	750.00	750.00
Chase Bank Operating Fees	165.13	160.15	165.14	490.42
Operating Account Bank Fees-Frost	12.00	12.00	12.00	36.00
Texas Treasury-Non Restricted	222.10	231.67	235.20	688.97
Total Other	87,355.96	7,682.30	8,441.18	103,479.44
Sub-Total SDR, Subcontractor & Provider Expenses				
Sub-Total SDR, Subcontractor & Provider Expenses	246,774.41	160,980.89	121,229.06	528,984.36
Liquidation Oversight Allocation				
RLO Allocation	16,536.33	16,860.79	14,227.10	47,624.22
Special Master's Fees	46.25	0.00	97.50	143.75
Total RLO & SM Expense	16,582.58	16,860.79	14,324.60	47,767.97
Total Expenses	263,356.99	177,841.68	135,553.66	576,752.33

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

**For the Period Ending
08/31/20**

Line		8/31/2020
Cash		
1	Cash	
	Cash - Unrestricted	13,046,600
	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	424,250
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	330,000
20	Other Receivables	
Other Assets		
21	FF&E	
22	Other Assets	6,742
	Total Assets	13,830,946

NOTES

Ref No.

13	Reinsurance Recoverables on Paid Losses	583,338
	Allowance for Uncollectible	(583,338)
	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 Assets**

**For the Period Ending
08/31/20**

17 Premiums Receivable	79,587
Amounts Due From Agents-Unearned Commissions	18,752
Allowance for Uncollectible	(98,339)
Net Amount	<u>0</u>
22 Other Assets are as follows:	
Prepaid Expenses	142,858
Allowance for Uncollectible Amounts	(140,650)
Policy Admin Software	60,124
Allowance for Uncollectible Amounts	(60,124)
Deferred Tax Asset	3,298,116
Allowance for Uncollectible Deferred Tax Asset	(3,298,116)
Guaranty Fund Assessment	4,534
Total	<u>6,742</u>

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

8/31/2020

Line		05/31/20	08/31/20	Change
Cash				
1	Cash			
	Cash - Unrestricted	13,706,082	13,046,600	(659,482)
	APF Funds (Loan proceeds)	0	0	0
Investments				
2	Short-Term Investments	0	0	0
3	Bonds	0	0	0
4	Stocks - Preferred & Common	0	0	0
5	Investments in Subsidiaries, Controlled or Affiliated Entities	0	0	0
6	Mortgage Loans	0	0	0
7	Real Estate	0	0	0
8	Policy Loans	0	0	0
9	Other Invested Assets	0	0	0
Restricted Assets				
10	Statutory Deposits	425,000	424,250	(750)
11	Funds held by or deposited with Reinsured Companies	0	0	0
12	Restricted - Other	0	0	0
	Funds Held at Chase Bank-LOC Collateral	0	0	0
	Funds Held for Others - Granite State Insurance Co (Draw Down on LOC)	0	0	0
	Funds Held for Others - Texas Treasury Acct-Granite State Insurance Co	0	0	0
	Funds Held for Others - PCF Surcharge Refunds	23,354	23,354	0
Reinsurance Receivable				
13	Reinsurance Recoverables on Paid Losses & LAE (net of allowance)	523,772	0	(523,772)
14	Reinsurance Recoverables on Unpaid Losses & LAE (net of allowance)	0	0	0
15	Reinsurance Recoverables on UEP & Contingent Commissions	0	0	0
Other Receivables				
16	Salvage & Subrogation Recoveries	0	0	0
17	Premiums Due from Agents & Policyholders	79,722	0	(79,722)
18	Receivable from Parents, Subsidiaries & Affiliates	0	0	0
19	Receivable from Guaranty Associations - Early Access Payments	330,000	330,000	0
20	Other Receivables	0	0	0
	Investment Income Due & Accrued			
Other Assets				
21	FF&E	0	0	0
22	Other Assets	6,742	6,742	0
	Total Assets	15,094,672	13,830,946	(1,263,726)

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

**For Period Ending
08/31/20**

Line		08/31/20
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	113,098
	Liquidation Oversight	14,227
	Special Master's Fees	98
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	1,828,037
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	2,396,292
	LAE Reserves	6,488,615
Policy Claims - Class 2		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	2,499,500
	Loss Claims Reserves	12,576,784
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	14,490,201
9	LAE - Other	
10	Unearned & Advance Premium Claims - GA	961,690
11	Unearned & Advance Premium Claims - Other	326,959
Other Liabilities		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	1,175,627
15	Class 5 Reinsurance Related Unsecured Claims	
16	Class 6 Claims	16,886
17	Class 7 Claims	
18	Class 8 Claims	
19	Class 9 Claims	
20	Class 10 Interest	
21	Class 11 Claims	
22	Other Liabilities	2,870,297
	Total Liabilities	45,758,311
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(31,927,365)
	Total Liabilities & Equity	13,830,946

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

**For Period Ending
08/31/20**

NOTES

All amounts recorded based on adjudicated claims unless otherwise specified

Ref. No.

14 Class 5 General Unsecured Creditor Claims are as follows:

Agents Commissions Payable	56,887
Unsecured Creditors-POCs received not yet adjudicated	29,813
Unsec Creditors-LAE Atty Fees-POCs received not yet adjudicated	1,088,927
Totals	<u>1,175,627</u>

22 Other Liabilities are as follows:

Funds Held for Others-PCF Surcharge Refunds	23,354
Ceded Reinsurance Premium Payables	2,794,865
Outstanding Items-Pre Receivership Bank Accounts	52,078
Totals	<u>2,870,297</u>

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

8/31/2020

Line	05/31/20	08/31/20	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	179,910	113,098	(66,812)
Liquidation Oversight	13,593	14,227	634
Special Master's Fees	135	98	(37)
5 Administrative Claims - Guaranty Assns	0	0	0
Administrative Expense Paid	1,346,059	1,828,037	481,978
Administrative Expense Reserves	0	0	0
6 LAE - Guaranty Assns	0	0	0
LAE Paid	1,579,345	2,396,292	816,947
LAE Reserves	5,460,008	6,488,615	1,028,607
Policy Claims - Class 2			
7 Loss Claims - Guaranty Assns	0	0	0
Loss Claims Paid	1,684,070	2,499,500	815,430
Loss Claims Reserves	13,185,221	12,576,784	(608,437)
8 Loss Claims - Other	0	0	0
Other Loss Claims Paid	0	0	0
Other Loss Claims Reserves	9,490,201	14,490,201	5,000,000
9 LAE - Other	0	0	0
10 Unearned & Advance Premium Claims - GA	825,737	961,690	135,953
11 Unearned & Advance Premium Claims - Other	462,912	326,959	(135,953)
Other Liabilities			
12 Class 3 Claims	0	0	0
13 Class 4 Claims	0	0	0
14 Class 5 General Unsecured Creditor Claims	994,131	1,175,627	181,496
15 Class 5 Reinsurance Related Unsecured Claims	0	0	0
16 Class 6 Claims	16,886	16,886	0
17 Class 7 Claims	0	0	0
18 Class 8 Claims	0	0	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	2,870,297	2,870,297	0
Total Liabilities	38,108,505	45,758,311	7,649,806
23 Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(23,013,833)	(31,927,365)	(8,913,532)
Total Liabilities & Equity	15,094,672	13,830,946	(1,263,726)

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

**For Period Ending
08/31/20**

	Qtr Ending Aug-20
Income	
Premium Receipts	0
Agents' Balances Received	0
Reinsurance Recoveries	0
Salvage & Subrogation Recoveries	0
Affiliates Recovery	0
Settlement/Litigation Recovery	0
Other Receipts	0
Sale of Real & Personal Property	400
Investment Sales/Receipts	0
Other Asset Receipts	0
Total Receipts from Assets/Receivables	400
Interest & Dividend Receipts, EA Interest	0
Cash Deposit Interest	1,218
Total Cash Receipts	1,618
Disbursements	
SDR Fees & Expenses	308,300
Subcontractor Legal Fees & Expenses	50,193
Subcontractor Other Fees & Expenses	131,956
Non-Subcontractor Fees & Expenses	0
Other Expenses	102,757
RLO Fees & Expenses	47,532
Total Disbursements for Operations	640,738
Loss Claims & LAE Expense Payments	20,362
Early Access Payments - GA	0
Refunds & Other - Transfer from GSIC Restricted Account to Unrestricted TTSTC Account	0
Total Cash Distributions	20,362
Total Cash Disbursements & Distributions	661,100
Net Increase(Decrease) in Cash	(659,482)
Cash at Beginning of Period	13,706,082
Cash at End of Period	13,046,600

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Greg Pierce on behalf of Greg Pierce
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Status as of 9/18/2020 9:37 AM CST

Case Contacts

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