

## Report for Special Master’s Status Conference

October 27, 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: James Kennedy and Brian Riewe  
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 September 30, 2020

Total Assets:	\$13,714,835
Cash & Invested Assets:	\$12,930,489
Non-Cash Assets:	\$ 784,346
Total Liabilities:	\$49,975,444
Negative Equity:	(\$36,260,609)

#### Status and Activity Since Last Status Conference

##### General Matters

**Operations During Coronavirus Pandemic:** The Special Deputy Receiver (“SDR”) continues operating the receivership in compliance with all federal, state, county, and city orders entered in response to the coronavirus 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.

**Preparation of CPIC Tax Returns:** In accordance with CPIC’s Tax Allocation Agreement with Capson Corp. (“Corp.) and other affiliated entities, on or about September 25, 2020, Corp. filed the group’s 2018 consolidated tax return with the Internal Revenue Service. The SDR has prepared and submitted CPIC’s 2019 proforma tax return to Corp. for inclusion with the group’s 2019 consolidated tax return.

## 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 September 30, 2020, claimants have filed approximately 232 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.

**Guaranty Association Reporting and Early Access Distributions:** As of September 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 4th Quarter 2020.

State	Report Date	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Paid Unearned Premium
AK	09/30/20	\$0.00	\$115,261.15	\$1,000,000.00	\$446,362.88	\$11,218.65
AL	09/30/20	\$0.00	\$34,131.50	\$205,000.00	\$6,226.06	\$21,588.00
AR	06/30/20	\$12,000.00	\$231,352.49	\$280,002.00	\$56,680.73	\$9,263.20
AZ	09/30/20	\$50,000.00	\$171,926.20	\$1,076,200.00	\$247,453.17	\$27,071.90
DC	03/11/20	\$0.00	\$0.00	\$0.00	\$0.00	\$5,618.10
IA	11/05/19	\$0.00	\$0.00	\$0.00	\$0.00	\$180.00
IL	08/31/20	\$100,000.00	\$75,614.12	\$450,000.00	\$299,444.30	\$24,792.00
IN	08/31/20	\$50,000.00	\$45,929.01	\$319,004.00	\$89,070.99	\$0.00
KY	09/30/20	\$0.00	\$151,598.03	\$400,002.00	\$138,552.22	\$28,672.60
LA	09/30/20	\$0.00	\$153,807.82	\$711,800.00	\$767,860.64	\$19,181.07
MD	11/08/19	\$0.00	\$0.00	\$0.00	\$0.00	\$4,765.30
MO	08/31/20	\$600,000.00	\$124,307.16	\$308,003.00	\$263,408.88	\$123,008.15
MS	08/31/20	\$0.00	\$4,336.65	\$0.00	\$5,524.00	\$18,536.09
NM	02/29/20	\$200,000.00	\$117,241.52	\$670,000.00	\$452,039.99	\$15,026.90
NV	09/30/20	\$510,000.00	\$124,642.89	\$400,000.00	\$78,422.35	\$11,751.60
OK	08/31/20	\$337,500.00	\$211,045.52	\$680,501.00	\$168,954.48	\$34,623.77
OR	09/30/20	\$0.00	\$31,663.82	\$52,069.50	\$54,203.07	\$11,952.05
TN	08/31/20	\$100,000.00	\$83,280.01	\$300,000.00	\$260,794.81	\$0.00

TX	09/30/20	\$635,000.00	\$841,734.37	\$3,925,028.00	\$1,899,710.31	\$486,135.02
WA	09/30/20	\$0.00	\$10,585.50	\$30,000.00	\$194,414.50	\$489.00
WV	07/31/20	\$105,000.00	\$121,981.49	\$2,020,043.00	\$1,360,000.00	\$107,816.15
<b>Totals</b>	<b>09/30/20</b>	<b>\$2,699,500.00</b>	<b>\$2,650,439.25</b>	<b>\$12,827,652.50</b>	<b>\$6,789,123.38</b>	<b>\$961,689.55</b>

## Asset Recovery Activity

**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 remains under review by the Texas Department of Insurance.

**Recovery of Unpaid Premium and Agent Balances:** As of September 30, 2020, the SDR collected unpaid premium totaling \$12,649 out of the \$47,039.49 sought for recovery. Agent balances collected during this period totaled \$10,152 out of the \$18,751.80 sought for recovery.

**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 continues work to finalize a claim for approximately \$240,000 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 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

- Completed preparation of CPIC 2019 proforma tax return.

- Began issuance of claim determinations for Proof of Claims filed with the receivership estate.

**Estate Goals to Achieve Prior to Next Status Conference**

- Complete transaction for sale of the CPIC charter and licenses to Ag Workers Mutual Auto Insurance Company.
- Complete initial early access distribution to guaranty associations.
- Complete reinsurance recovery from Willis Re.

**Estate Closing Date of Receivership:** December 31, 2022

**Identification of Factors Affecting Closing Date and Final Distribution:** Completion of asset recovery actions including collection of amounts due under reinsurance agreements.