

## Report for Special Master’s Status Conference

January 26, 2021

### 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 December 31, 2020

Total Assets:	\$13,355,044
Cash & Invested Assets:	\$12,571,906
Non-Cash Assets:	\$ 783,138
Total Liabilities:	\$73,625,320
Negative Equity:	(\$60,270,276)

#### 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 conferencing. Video and teleconferencing are also utilized on an as needed basis for meetings between individual project groups.

## 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 December 31, 2020, claimants have filed approximately 366 POCs (excluding any companion POC’s arising from the same medical incident) with the CPIC receivership estate. The SDR’s staff is now underway with the review and processing of the POCs. As of December 31, 2020, claim determinations have been issued on nine (9) POC’s.

**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 December 31, 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 1st Quarter 2021.

State	Report Date	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Paid Unearned Premium
AK	12/31/20	\$0.00	\$127,777.99	\$1,000,000.00	\$433,846.04	\$11,218.65
AL	12/31/20	\$140,000.00	\$59,582.16	\$55,000.00	\$32,264.30	\$21,588.00
AR	12/31/20	\$12,000.00	\$329,052.09	\$380,002.00	\$49,733.68	\$9,263.20
AZ	12/31/20	\$50,000.00	\$253,434.46	\$1,091,200.00	\$186,981.44	\$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	11/30/20	\$100,000.00	\$89,809.91	\$450,000.00	\$285,248.51	\$24,792.00
IN	11/30/20	\$175,000.00	\$79,018.74	\$194,004.00	\$96,390.61	\$0.00
KY	12/31/20	\$0.00	\$211,624.11	\$400,002.00	\$147,968.92	\$28,672.60
LA	12/31/20	\$0.00	\$215,155.71	\$676,800.00	\$722,130.90	\$19,181.07
MD	11/08/19	\$0.00	\$0.00	\$0.00	\$0.00	\$4,765.30
MO	11/30/20	\$600,000.00	\$155,784.41	\$333,003.00	\$237,993.83	\$123,008.15
MS	11/30/20	\$0.00	\$9,120.30	\$0.00	\$740.35	\$18,536.09
NM	02/29/20	\$200,000.00	\$117,241.52	\$670,000.00	\$452,039.99	\$15,026.90
NV	12/31/20	\$510,000.00	\$129,686.76	\$400,000.00	\$49,378.48	\$11,751.60
OK	12/31/20	\$462,500.00	\$258,185.17	\$537,502.00	\$150,195.83	\$34,623.77
OR	09/30/20	\$0.00	\$31,663.82	\$52,069.50	\$54,203.07	\$11,952.05
TN	11/30/20	\$170,000.00	\$138,565.14	\$230,000.00	\$205,509.68	\$0.00
TX	12/31/20	\$1,013,049.76	\$1,130,156.20	\$3,696,972.24	\$1,586,647.53	\$486,135.02
WA	12/31/20	\$0.00	\$15,870.02	\$30,000.00	\$189,129.98	\$489.00
WV	10/31/20	\$105,000.00	\$233,759.52	\$1,975,043.00	\$1,442,000.00	\$109,368.15
<b>Totals</b>	<b>12/31/20</b>	<b>\$3,537,549.76</b>	<b>\$3,585,488.03</b>	<b>\$12,171,597.74</b>	<b>\$6,322,403.14</b>	<b>\$963,241.55</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 December 31, 2020, the SDR collected unpaid premium totaling \$12,922 out of the \$47,039.49 sought for recovery. Agent balances collected during this period totaled \$11,585 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 is currently pursuing recovery of approximately \$615,219 from reinsurers net of any applicable offsets. The analysis of all CPIC reinsurance treaties continues and the SDR anticipates that additional amounts in excess of the \$615,219 currently sought for recovery will be identified as due and recoverable from reinsurers.

## 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

- The December 28, 2020, POC deadline has expired.
- Continued issuance of claim determinations for POCs 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.
- Achieve progress on recovery of amounts determined to be due and recoverable from reinsurers.

**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.