

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

THE STATE OF TEXAS
Plaintiff,

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IN THE DISTRICT COURT OF

v.

TRAVIS COUNTY, TEXAS

CAPSON PHYSICIANS INSURANCE
COMPANY,
Defendant.

250TH JUDICIAL DISTRICT

**SPECIAL DEPUTY RECEIVER'S QUARTERLY FINANCIAL REPORT AND
SUMMARY STATEMENT OF EXPENSES
(JUNE 1, 2021 THROUGH AUGUST 31, 2021)**

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, 2021 to August 31, 2021. 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,

/s/ Greg Pierce
Gregory A. Pierce
State Bar No. 15994250
P.O. Box 40
Austin, Texas 78767
Tel: (512) 474-2154
gpierce@gpiercelaw.com

-and-

Christopher Fuller
State Bar No. 07515500
FULLER LAW GROUP
4612 Ridge Oak Drive
Austin, Texas 78731
Telephone: (512) 470-9544
cfuller@fullerlaw.org

**Attorneys for CANTILO & BENNETT, LLP,
Special Deputy Receiver of
Capson Physicians Insurance Company**

CERTIFICATE OF SERVICE

I certify that on September 15, 2021, a true and correct copy of the foregoing *Special Deputy Receiver's Quarterly Financial Report and Summary Statement of Expenses (June 1, 2021 to August 31, 2021)* 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.

Via Email: specialmasterclerk@tdi.texas.gov
Special Master's Clerk
Rehabilitation & Liquidation Oversight
TEXAS DEPARTMENT OF INSURANCE
PO Box 149104
Austin, TX 78714-9104

Via e-Service: James.Kennedy@tdi.texas.gov
James Kennedy
TEXAS DEPARTMENT OF INSURANCE
PO Box 149104
Austin, TX 78714-9104

Via Email: John.Alexander@tdi.texas.gov
John Alexander
Rehabilitation & Liquidation Oversight
TEXAS DEPARTMENT OF INSURANCE
P.O. Box 149104
Austin, TX 78714-9104

Via Email: kathy.gartner@tdi.texas.gov
Kathy Gartner
Rehabilitation & Liquidation Oversight
TEXAS DEPARTMENT OF INSURANCE
P.O. Box 149104
Austin, TX 78714-9104

Via Email: Liz.Solka@tdi.texas.gov
Liz Solka
TEXAS DEPARTMENT OF INSURANCE
P.O. Box 149104
Austin, TX 78714-9104

Via e-Service: joshua.godbey@oag.texas.gov
Joshua R. Godbey
Assistant Attorney General
Financial Litigation Division
OFFICE OF THE TEXAS ATTORNEY GENERAL
P.O. Box 12548
Austin, TX 78711-2548
Fax: (512) 477-2348
Counsel for Plaintiff State of Texas

Via e-Service: jthompson@thompsoncoe.com
Jay A. Thompson
THOMPSON COE
701 Brazos, Suite 1500
Austin, TX 78701

Via e-Service: eburbach@foley.com
Via e-Service: kyelkin@foley.com
Via e-Service: nbeaird@foley.com
Edward D. Burbach
Kimberly A. Yelkin
FOLEY LARDNER LLP
600 Congress Avenue, Ste 3000
Austin, TX 78701
Counsel for Granite State Insurance Company

Via Email:
Ryan.Donaldson@insurance.alabama.gov
Ryan Donaldson
Chief Receiver
ALABAMA DEPARTMENT OF INSURANCE
P.O. Box 303353
Montgomery, AL 36130-3353

Via Email: alentine@alaiga.com
Andrea Lentine
Executive Director
ALABAMA INSURANCE GUARANTY ASSOCIATION
2020 Canyon Road, Suite 200
Birmingham, AL 35216

Via Email: david.phifer@alaska.gov
David Phifer
Chief Financial Examiner
ALASKA DIVISION OF INSURANCE
Robert B. Atwood Building
550 W. 7th Ave., Ste 1560
Anchorage, AK 99501-3567

Via Email: sdaniels@nadj.com
Susan Daniels
Fund Administrator
ALASKA INSURANCE GUARANTY ASSOCIATION
C/O NORTHERN ADJUSTERS, INC.
1401 Rudakoff Circle, Suite 100
Anchorage, AK 99508

Via Email: LNestor@azinsurance.gov
Lori Nestor
Executive Director
ARIZONA INSURANCE GUARANTY FUNDS
1110 West Washington, Suite 270
Phoenix, AZ 85007

Via Email: Steve.Uhrynowycz@arkansas.gov
Steve Uhrynowycz, Deputy Receiver
ARKANSAS INSURANCE DEPARTMENT
ARKANSAS PROPERTY &
CASUALTY GUARANTY FUND
1023 West Capitol Avenue
Little Rock, AR 72201

Via Email: michelle.mathis@dc.gov
Michelle Mathis
DISTRICT OF COLOMBIA DEPARTMENT OF
INSURANCE, SECURITIES AND BANKING
1050 First Street, NE, 801
Washington, DC 20002

Via Email: blaw@gfms.org
Barbara Law
GUARANTY FUND MANAGEMENT SERVICES
One Bowdoin Square
Boston, MA 02114-2916

Via Email: Kim.Cross@iid.iowa.gov

Kim Cross
IOWA INSURANCE DIVISION
330 Maple St.
Des Moines, IA 50319-0065

Via Email: augspurgen.steven@bradshawlaw.com

Steven Augspurgen
General Counsel
IOWA INSURANCE GUARANTY ASSOCIATION
801 Grand Avenue, Suite 3700
Des Moines, IA 50309-8004

Via Email: eric.fletcher@doi.idaho.gov

Eric Fletcher
IDAHO DEPARTMENT OF INSURANCE
P.O. Box 83720
Boise, ID 83720-0043

Via Email: canderson@wgfs.org

Chad Anderson
President
IDAHO INSURANCE GUARANTY ASSOCIATION
C/O WESTERN GUARANTY FUND SERVICES
1720 S Bellaire Street, #408
Denver, WA 80222

Via Email: marcy.savage@illinois.gov

Marcy Savage
Assistant Deputy Director of Corporate
ILLINOIS DEPARTMENT OF INSURANCE
222 Merchandise Mart Plaza, Suite 960
Chicago, IL 60654

Via Email: tschotke@iigf.org

Tim Schotke
Executive Director
ILLINOIS INSURANCE GUARANTY FUND
150 South Wacker Drive, Suite 2970
Chicago, IL 60606

Via Email: Liz@in-solv.com

Elizabeth Lovette
INDIANA DEPARTMENT OF INSURANCE
311 West Washington St.
Indianapolis, IN 46204-2787

Via Email: abarbera@quadassoc.org

Amanda Barbera
Executive Director
INDIANA INSURANCE GUARANTY ASSOCIATION
251 East Ohio Street, Suite 1070
Indianapolis, IN 46204-2143

Via Email: Sharron.Burton@ky.gov

Sharron Burton
General Counsel
KENTUCKY OFFICE OF INSURANCE
215 W. Main St.
Frankfort, KY 40601

Via Email:

scott.webster@kyinsuranceguaranty.com

A. Scott Webster
Executive Director
KENTUCKY INSURANCE GUARANTY ASSOCIATION
10605 Shelbyville Road, Suite 101
Louisville, KY 40223

Via Email: walt.corey@ldi.la.gov

Walter Corey
LOUISIANA DEPARTMENT OF INSURANCE
P.O. Box 94214
Baton Rouge, LA 70802

Via Email: jwells@laiga.org

John Wells
Director of Operations & Logistics
LOUISIANA INSURANCE GUARANTY ASSOCIATION
2142 Quail Run Drive
Baton Rouge, LA 70808-4126

Via Email: lynn.beckner@maryland.gov
Lynn Beckner
Chief Financial Analyst
MARYLAND INSURANCE ADMINISTRATION
200 St. Paul Place, Suite 2700
Baltimore, MD 21202

Via Email: dprice@pcigc.com
Deborah Price, Acting President
MARYLAND PROPERTY & CASUALTY
INSURANCE GUARANTY CORPORATION
305 Washington Avenue, Suite 600
Towson, MD 21204-4715

Via Email: shelley.forrest@insurance.mo.gov
Shelley Forrest
Receivership Counsel, Legal Section
MISSOURI DEPARTMENT OF INSURANCE,
FINANCIAL INSTITUTIONS & PROF.
REGISTRATION
PO Box 690
Jefferson City, MO 65102-0690

Via Email: tkopp@mo-iga.org
Tamara Kopp
Executive Director
MISSOURI PROPERTY & CASUALTY INSURANCE
GUARANTY ASSOCIATION
994 Diamond Ridge, Suite 102
Jefferson City, MO 65109

Via Email: donna.whitley@mid.state.ms.us
Donna Whitley
MISSISSIPPI DEPARTMENT OF INSURANCE
501 North West St
Jackson, MS 39201

Via Email: arussell@msiga.net
Arthur Russell
Executive Director
MISSISSIPPI INSURANCE GUARANTY ASSOCIATION
713 South Pear Orchard Road, Ste 200
Ridgeland, MS 39157

Via Email: smatthews@mt.gov
Steve Matthews
Insurance Division
MONTANA STATE AUDITOR'S OFFICE
840 Helena Ave.
Helena, MT 59601

Via Email: canderson@wgfs.org
Chad Anderson
President
MONTANA INSURANCE GUARANTY ASSOCIATION
C/O WESTERN GUARANTY FUND SERVICES
1720 S Bellaire Street, #408
Denver, WA 80222

Via Email: mattfischer@nd.gov
Matt Fischer
NORTH DAKOTA INSURANCE DEPARTMENT
600 E. Boulevard Ave.
Bismarck, ND 58505

Via Email: jsc46@bis.midco.net
Jeffrey J. Cahill
Managing Secretary
NORTH DAKOTA INSURANCE GUARANTY
ASSOCIATION
P.O. Box 2634
Bismarck, ND 58502-2634

Via Email: peg.jasa@nebraska.gov
Peggy Jasa
NEBRASKA DEPARTMENT OF INSURANCE
941 "O" Street, Suite 400
Lincoln, NE 68508-3639

Via Email: ldf3436p@aol.com
L. Dean Fletcher
Administrator
NEBRASKA PROPERTY & LIABILITY INSURANCE
GUARANTY ASSOCIATION
P.O. Box 57006, Station C
Lincoln, NE 68505

Via Email: mickey.vancuren@state.nm.us
Mickey VanCuren
Deputy Superintendent
NEW MEXICO INSURANCE DIVISION
P.O. Box 1269
Santa Fe, NM 87504-1269

Via Email: debbiel@integriongroup.com
Via Email: sharil@integriongroup.com
Debbie Luera
Executive Director
Shari Lucero
NEW MEXICO INSURANCE GUARANTY
ASSOCIATION / INTEGRION GROUP
P.O. Box 27815
Albuquerque, NM 87125

Via Email: finances@doi.nv.gov
NEVADA DIVISION OF INSURANCE
1818 E. College Pkwy., Suite 103
Carson City, NV 89706

Via Email: bgilbert@niga-pc.org
Bruce W. Gilbert
Executive Director
NEVADA INSURANCE GUARANTY ASSOCIATION
3821 West Charleston Boulevard, Suite 100
Las Vegas, NV 89102-1859

Via Email: kelly.callahan@oid.ok.gov
Kelley Callahan
Asst. General Counsel
OKLAHOMA DEPARTMENT OF INSURANCE
2401 N.W. 23rd, Suite 28
Oklahoma City, OK 73152-3408

Via Email: jcannon@opciga.org
Jesica Cannon
Accounting Administrator
OKLAHOMA PROPERTY & CASUALTY INSURANCE
GUARANTY ASSOCIATION
2601 Northwest Expressway, Suite 330E
Oklahoma City, OK 73112

Via Email: ryan.w.keeling@oregon.gov
Ryan Keeling
Manager/Chief Examiner
OREGON DIVISION OF INSURANCE
PO Box 14480
Salem, OR 97309-0405

Via Email: cbazant@oregoniga.org
Cathy Braughton-Bazant
Administrator
OREGON INSURANCE GUARANTY ASSOCIATION
10700 Southwest Beaverton Hwy, Suite 426
Beaverton, OR 97005

Via Email: c-cmcdonal@pa.gov
Crystal McDonald
Liquidations Project Dir.
PENNSYLVANIA DEPARTMENT OF INSURANCE
901 North 7th Street
Harrisburg, PA 17102

Via Email: rbauso@ppciga.org
Raymond Bauso
Executive Director
PENNSYLVANIA PROPERTY & CASUALTY
INSURANCE GUARANTY ASSOCIATION
One Penn Center, Suite 1850
1617 John F. Kennedy Boulevard
Philadelphia, PA 19103

Via Email: Johanna.Nickelson@state.sd.us
Johanna Nickelson
SOUTH DAKOTA DIVISION OF INSURANCE
445 East Capitol Avenue
Pierre, SD 57501

Via Email: eevans@ehhlawyers.com
Edwin F. Evans
SOUTH DAKOTA PROPERTY & CASUALTY
INSURANCE GUARANTY ASSOCIATION
EVANS, HAIGH & HINTON, LLP
P.O. Box 1030
Sioux Falls, SD 57101-1030

Via Email: bill.huddleston@tn.gov
Bill Huddleston
Insurance Division
TENNESSEE DEPARTMENT OF COMMERCE
AND INSURANCE
500 James Robertson Pkwy., 4th Fl.
Nashville, TN 37243

Via Email: jmurphy@tiga.net
Jane Murphy
Administrator
TENNESSEE INSURANCE GUARANTY ASSOCIATION
3100 West End Avenue, Suite 670
Nashville, TN 37203

Via Email: AWalker@tpciga.org
Via Email: Slang@tpciga.org
Amber A. Walker
Sara Lang
TEXAS PROPERTY CASUALTY INSURANCE
GUARANTY ASSOCIATION
9120 Burnet Road
Austin, TX 78758

Via Email: aevans@tpciga.org
Annette Evans, CPCU, CLU, ChFC
Claims Director
TEXAS PROPERTY CASUALTY INSURANCE
GUARANTY ASSOCIATION
9120 Burnet Road
Austin, TX 78758

Via Email: MelanieA@oic.wa.gov
Melanie Anderson
Acting Deputy Deputy Commissioner
WASHINGTON OFFICE-INS COMMISSIONER
5000 Capitol Boulevard
Tumwater, WA 98501

Via Email: canderson@wgfs.org
Chad Anderson
WASHINGTON INSURANCE GUARANTY ASSOC.
C/O WESTERN GUARANTY FUND SERVICES
1720 S Bellaire Street, #408
Denver, WA 80222

Via Email: marysue.gilardi@wisconsin.gov
Mary Sue Gilardi
WISCONSIN OFFICE OF THE INSURANCE
COMMISSIONER
P.O. Box 7873
Madison, WI 53707-7873

Via Email: jamie.o.taylor@wv.gov
Jamie Taylor
WEST VIRGINIA INSURANCE COMMISSION
P.O. Box 50540
Charleston, WV 25305-0540

Via Email: jblatt@ncigf.org
John Blatt
THE NATIONAL CONFERENCE OF
INSURANCE GUARANTY FUNDS
300 North Meridian St., Suite 1020
Indianapolis, IN 46204

Via First Class Mail
INTERNAL REVENUE SERVICE
Special Procedures Branch
300 East 8th Street, Suite 352
Mail Stop 5026AUS
Austin, TX 78701

Via Email: hancock@amhfirm.com
Via Email: wallace@amhfirm.com
Julia Hancock
Tonya Wallace, Financial Director
ANDERSON, MURPHY & HOPKINS
400 W. Capitol Avenue, Suite 2400
Little Rock, AR 72201

Via Email: pmc@madisonlaw.com
Via Email: christina@madisonlaw.com
Paul M. Cash
Christina Eichinger
MADISON, MROZ, STEINMAN & DEKLEVA, P.A.
201 3rd Street NW, Suite 1600
Albuquerque, NM 87102

Via Email: allan@wisf-madison.org
Allan Patek
Executive Director
WISCONSIN INSURANCE SECURITY FUND
2820 Walton Commons West, Suite 135
Madison, WI 53718-6797

Via Email: sonni.peterson@ohioga.org
Sonni Peterson
President
WEST VIRGINIA INSURANCE GUARANTY
ASSOCIATION
5005 Horizons Drive, Suite 200
Columbus, OH 46220

Via First Class Mail
INTERNAL REVENUE SERVICE
Centralized Insolvency Operation
P.O. Box 7346
Philadelphia, PA 19101-7346

Via e-Service: anthony@icenoglefirm.com
Anthony Icenogle
ICENOGL & BOGGINS, P.L.L.C.
6907 N. Capital of Texas Hwy., Ste 220
Austin, Texas 78731
Counsel for Shareholders

Via Email: mroth@eichhorn-law.com
Michael Roth
EICHHORN & EICHHORN, LLP
9101 North Wesleyan Road, Ste 401
Indianapolis, IN 46268

Via Email: eaupied@bluewilliams.com
Edgar Aupied
BLUE WILLIAMS, LLP
3421 North Causeway Blvd.
Metairie, LA 70002

Via Email: mail@holealvarez.com

Ronald G. Hole
HOLE & ALVAREZ, LLP
Water Tower Centre
612 W. Nolana, Suite 370
McAllen, TX 78504

Via Email: chris@getclawfirm.com

Via Email: sherra@getclawfirm.com

Chris Tardio
GIDEON, ESSARY TARDIO & CARTER, PLC
315 Deaderick Street, Ste 1100
Nashville, TN 37238

Via Email: swoodley@grgpc.com

Stephen R. Woodley
GRAY, RITTER & GRAHAM, P.C.
701 Market Street, Suite 800
St. Louis, Missouri 63101

Via Email: mgrumley@kentuckylawyers.com

Via Email: acain@kentuckylawyers.com

Miller Grumley
Adrienne Cain
BRADLEY, FREED & GRUMLEY, P.S.C
1634 Broadway
Paducah, KY 42002

Via Email: pamstutz@scottdoug.com

Paige Arnette Amstutz
SCOTT, DOUGLASS & MCCONNICO, LLP
303 Colorado Street, Suite 2400
Austin, TX 78701

Via Email: elilly@shumanlaw.com

Emily Lilly
SHUMAN, MCCUSKEY & SLICER, PLLC
Suite 200, 1411 Virginia Street, East
Post Office Box 3953
Charleston, WV 25339

Via Email: bmalkmus@malkmuslaw.com

Brian Malkmus
MALKMUS LAW FIRM
305 Park Central W
Springfield, MO 65806

Via Email: rjones@flahertylegal.com

Richard D. Jones, Esquire
FLAHERTY SENSABAUGH BONASSO
200 Capitol Street
Charleston, WV 25301

/s/ Greg Pierce

Gregory A. Pierce

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**Capson Physicians Insurance Company
Statement of Expenses**

**For Period Ending
08/31/21**

	Total June	Total July	Total Aug	Total Quarter
SDR				
Cantilo & Bennett, LLP				
Partner/Attorney	23,298.00	31,174.00	15,114.00	69,586.00
Partner/Attorney	13,816.00	17,182.00	18,018.00	49,016.00
Partner/Attorney	594.00	484.00	242.00	1,320.00
Associate	33,014.00	29,036.00	20,774.00	82,824.00
Associate	7,888.00	24,157.00	8,194.00	40,239.00
Associate	221.00	731.00	51.00	1,003.00
Expenses	73.98	85.93	829.35	989.26
Total SDR Billing	78,904.98	102,849.93	63,222.35	244,977.26
SDR Subcontractors - Legal				
Inquest Resources				
Paralegal	64.00	16.00	0.00	80.00
Receivership Specialist I	264.00	136.00	32.00	432.00
Receivership Specialist II	45.00	140.00	20.00	205.00
Expenses	8.00	0.00	0.00	8.00
Total Billing	381.00	292.00	52.00	725.00
Greg Pierce-Attorney at Law				
Attorney	6,325.00	6,200.00	2,200.00	14,725.00
Expenses	3.33	0.00	0.00	3.33
Total Billing	6,328.33	6,200.00	2,200.00	14,728.33
Total Legal Subcontractors	6,709.33	6,492.00	2,252.00	15,453.33
SDR Subcontractors - Other				
Petrosewicz & Company, Inc				
Accountant-Principal/ C.P.A.	1,368.00	936.00	1,530.00	3,834.00
Staff Accountant	2,016.00	2,425.50	1,134.00	5,575.50
Staff Accountant	378.00	231.00	42.00	651.00
Expenses	39.61	37.20	31.63	108.44
Total Billing	3,801.61	3,629.70	2,737.63	10,168.94
EMKAY Associates				
Claims and IT	1,539.00	1,529.50	1,064.00	4,132.50
Expenses	0.00	0.00	0.00	0.00
Total Billing	1,539.00	1,529.50	1,064.00	4,132.50
Milford Consulting				
Receivership Specialist I	9,030.00	6,902.00	6,608.00	22,540.00
Reinsurance Specialist	5,450.00	6,700.00	8,050.00	20,200.00
Receivership Specialist III	4,590.00	3,618.00	3,582.00	11,790.00
Receivership Specialist II	2,116.00	1,702.00	1,897.50	5,715.50
Receivership Specialist III	2,214.00	2,358.00	2,061.00	6,633.00
IT Specialist	6,526.50	5,130.00	3,923.50	15,580.00
Expenses	58.76	58.39	58.39	175.54
Total Billing	29,985.26	26,468.39	26,180.39	82,634.04
Total Other SDR Subcontractors	35,325.87	31,627.59	29,982.02	96,935.48

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**Capson Physicians Insurance Company
Statement of Expenses**

**For Period Ending
08/31/21**

	Total June	Total July	Total Aug	Total Quarter
Receivership Service Providers				
Echo Ridge Partners iCat Maintenance	2,083.00	2,083.00	2,083.00	6,249.00
MyITpros	4,488.47	4,488.47	4,488.47	13,465.41
Rackspace-Email service	324.49	324.49	324.49	973.47
Inventory/Moving/Storage-Safesite	85.00	85.00	85.00	255.00
IMA, Inc SDR Bond	1,200.00	0.00	0.00	1,200.00
Pay Pal Charges-Verification receipts	34.90	55.85	41.74	132.49
Chase Bank Operating Fees	165.33	160.34	160.35	486.02
Operating Account Bank Fees	30.00	45.00	15.00	90.00
Texas Treasury-Non Restricted	0.00	207.22	0.00	207.22
Total Other	8,411.19	7,449.37	7,198.05	23,058.61
Sub-Total SDR, Subcontractor & Provider Expenses				
Sub-Total SDR, Subcontractor & Provider Expenses	129,351.37	148,418.89	102,654.42	380,424.68
Liquidation Oversight Allocation				
RLO Allocation	6,439.85	8,125.65	9,021.71	23,587.21
Special Master's Fees	0.00	0.00	0.00	0.00
Total RLO & SM Expense	6,439.85	8,125.65	9,021.71	23,587.21
Total Expenses	135,791.22	156,544.54	111,676.13	404,011.89

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

**For the Period Ending
08/31/21**

Line		08/31/21
Cash		
1	Cash	
	Cash - Unrestricted	4,987,224
	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	7,019,545
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	12,458,907

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

**For the Period Ending
08/31/21**

NOTES

Ref No.

13	Reinsurance Recoverables on Paid Losses	504,388
	Allowance for Uncollectible	(504,388)
	Net Amount	0
14	Reinsurance Recoverables on Unpaid Losses & LAE-Gross	5,590,723
	Allowance for Uncollectible	(5,590,723)
	Net Amount	0
17	Premiums Receivable	66,665
	Amounts Due From Agents-Unearned Commissions	2,421
	Allowance for Uncollectible	(69,086)
	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)
	Deferred Tax Asset	3,298,116
	Allowance for Uncollectible Deferred Tax Asset	(3,298,116)
	Guaranty Fund Assessment	4,534
	Total	4,534

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

8/31/2021

Line		05/31/21	08/31/21	Change
Cash				
1	Cash			
	Cash - Unrestricted	12,052,315	4,987,224	(7,065,091)
	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	424,250	424,250	0
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)	0	0	0
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	0	0	0
18	Receivable from Parents, Subsidiaries & Affiliates	0	0	0
19	Receivable from Guaranty Associations - Early Access Payments	330,000	7,019,545	6,689,545
20	Other Receivables	0	0	0
	Investment Income Due & Accrued	0	0	0
		0	0	0
Other Assets				
21	FF&E	0	0	0
22	Other Assets	4,534	4,534	0
	Total Assets	12,834,453	12,458,907	(375,546)

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Capson Physicians Insurance Company
Statement of Net Liabilities

For Period Ending
08/31/21

Line		08/31/21
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	95,781
	Liquidation Oversight	9,022
	Special Master's Fees	
5	Administrative Claims - Guaranty Assns	
	Administrative Expense Paid	3,021,351
	Administrative Expense Reserves	
6	LAE - Guaranty Assns	
	LAE Paid	5,785,563
	LAE Reserves	4,101,285
Policy Claims - Class 2		
7	Loss Claims - Guaranty Assns	
	Loss Claims Paid	7,324,531
	Loss Claims Reserves	9,335,444
8	Loss Claims - Other	
	Other Loss Claims Paid	
	Other Loss Claims Reserves	26,474,201
9	LAE - Other	
10	Unearned & Advance Premium Claims - GA	1,013,529
11	Unearned & Advance Premium Claims - Other	275,120
Other Liabilities		
12	Class 3 Claims	
13	Class 4 Claims	
14	Class 5 General Unsecured Creditor Claims	2,503,640
15	Class 5 Reinsurance Related Unsecured Claims	2,852,078
16	Class 6 Claims	16,886
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	3,419,118
	Total Liabilities	66,302,549
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(53,843,642)
	Total Liabilities & Equity	12,458,907

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

**For Period Ending
08/31/21**

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	56,887
Unsecured Creditors-POCs received not yet adjudicated	119,735
Unsec Creditors-LAE Atty Fees-POCs received not yet adjudicated	2,327,018
Totals	<u>2,503,640</u>

22 Other Liabilities are as follows:

Funds Held for Others-PCF Surcharge Refunds	23,354
Ceded Reinsurance Premium Payables	3,343,686
Outstanding Items-Pre Receivership Bank Accounts	52,078
Totals	<u>3,419,118</u>

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

8/31/2021

Line		05/31/21	08/31/21	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	78,106	95,781	17,675
	Liquidation Oversight	7,711	9,022	1,311
	Special Master's Fees	119	0	(119)
5	Administrative Claims - Guaranty Assns	0	0	0
	Administrative Expense Paid	3,021,351	3,021,351	0
	Administrative Expense Reserves	0	0	0
6	LAE - Guaranty Assns	0	0	0
	LAE Paid	4,809,604	5,785,563	975,959
	LAE Reserves	4,974,504	4,101,285	(873,219)
Policy Claims - Class 2				
7	Loss Claims - Guaranty Assns	0	0	0
	Loss Claims Paid	5,070,232	7,324,531	2,254,299
	Loss Claims Reserves	11,018,420	9,335,444	(1,682,976)
8	Loss Claims - Other	0	0	0
	Other Loss Claims Paid	0	0	0
	Other Loss Claims Reserves	27,774,201	26,474,201	(1,300,000)
9	LAE - Other	0	0	0
10	Unearned & Advance Premium Claims - GA	981,616	1,013,529	31,913
11	Unearned & Advance Premium Claims - Other	307,033	275,120	(31,913)
Other Liabilities				
12	Class 3 Claims	0	0	0
13	Class 4 Claims	0	0	0
14	Class 5 General Unsecured Creditor Claims	2,486,288	2,503,640	17,352
15	Class 5 Reinsurance Related Unsecured Claims	2,852,078	2,852,078	0
16	Class 6 Claims	16,886	16,886	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	3,419,118	3,419,118	0
		0	0	0
		0	0	0
	Total Liabilities	66,892,267	66,302,549	(589,718)
23	Total Equity/(Deficit) Excess (Deficiency) of Assets over Liabilities	(54,057,814)	(53,843,642)	214,172
	Total Liabilities & Equity	12,834,453	12,458,907	(375,546)

Capson Physicians Insurance Company
Sources & Uses of Cash

For Period Ending
08/31/21

	Qtr Ending Aug-21
Income	
Premium Receipts	0
Agents' Balances Received	0
Reinsurance Recoveries	4,842
Salvage & Subrogation Recoveries	0
Affiliates Recovery	0
Settlement/Litigation Recovery	0
Other Receipts	4,450
Sale of Real & Personal Property	0
Investment Sales/Receipts	0
Other Asset Receipts	0
Total Receipts from Assets/Receivables	9,292
Interest & Dividend Receipts, EA Interest	0
Cash Deposit Interest	319
Total Cash Receipts	9,611
Disbursements	
SDR Fees & Expenses	228,024
Subcontractor Legal Fees & Expenses	14,912
Subcontractor Other Fees & Expenses	96,754
Non-Subcontractor Fees & Expenses	0
Other Expenses	23,059
RLO Fees & Expenses	22,396
Total Disbursements for Operations	385,145
Loss Claims & LAE Expense Payments	13
Early Access Payments - GA	6,689,544
Refunds & Other Distributions	0
Total Cash Distributions	6,689,557
Total Cash Disbursements & Distributions	7,074,702
Net Increase(Decrease) in Cash	(7,065,091)
Cash at Beginning of Period	12,052,315
Cash at End of Period	4,987,224

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Greg Pierce on behalf of Greg Pierce
Bar No. 15994250
gpierce@gpiercelaw.com
Envelope ID: 57275835
Status as of 9/18/2021 4:46 PM CST

Case Contacts

Name	BarNumber	Email	TimestampSubmitted	Status
Jay AThompson		JThompson@thompsoncoe.com	9/15/2021 2:04:51 PM	SENT
Christopher G. Fuller	7515500	cfuller@fullerlaw.org	9/15/2021 2:04:51 PM	SENT
Paige Arnette Amstutz	796136	pamstutz@scottdoug.com	9/15/2021 2:04:51 PM	SENT
Ronald G. Hole	9834200	Mail@HoleAlvarez.com	9/15/2021 2:04:51 PM	SENT
Matthew James Kennedy	11294550	james.kennedy@tdi.texas.gov	9/15/2021 2:04:51 PM	SENT
Anthony Lee Icenogle	10382948	anthony@icenoglefirm.com	9/15/2021 2:04:51 PM	SENT
Patricia Muniz		pmuniz@inquestresources.com	9/15/2021 2:04:51 PM	SENT
Brian Falligant		bfalligant@inquestresources.com	9/15/2021 2:04:51 PM	SENT

Associated Case Party: Granite State Insurance Company

Name	BarNumber	Email	TimestampSubmitted	Status
Edward D. Burbach	3355250	eburbach@foley.com	9/15/2021 2:04:51 PM	SENT
Kimberly A. Yelkin	22151670	kyelkin@foley.com	9/15/2021 2:04:51 PM	SENT
Nanette K. Beaird	1949800	nbeaird@foley.com	9/15/2021 2:04:51 PM	SENT

Associated Case Party: TPCIGA

Name	BarNumber	Email	TimestampSubmitted	Status
Amber Alayne Walker	785581	awalker@tpciga.org	9/15/2021 2:04:51 PM	SENT

Associated Case Party: The State of Texas

Name	BarNumber	Email	TimestampSubmitted	Status
Joshua Godbey	24049996	Joshua.Godbey@oag.texas.gov	9/15/2021 2:04:51 PM	SENT