

Report for Special Master’s Status Conference

October 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: David Ashton 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: Initial Distribution July 2, 2021

Statement of Assets and Liabilities as of September 30, 2021

Total Assets:	\$11,924,067
Cash & Invested Assets:	\$ 4,876,634
Non-Cash Assets:	\$ 7,047,433
Total Liabilities:	\$65,438,250
Negative Equity:	(\$53,514,183)

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: As of September 30, 2021, claimants have filed approximately 495 POCs (excluding any companion POC’s arising from the same medical incident) with the CPIC receivership estate. As of September 30, 2021, claim determinations have been issued on one-hundred sixteen (116) 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 September 30, 2021, the Guaranty Associations have submitted the loss reports summarized below. On June 16, 2021, the Receivership Court approved the SDR’s Application to Approve First Early Access Distribution. The initial early access distribution to state insurance guaranty associations totaling \$6,689,544.21 was completed July 2, 2021.

State	Report Date	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Paid Unearned Premium
AK	09/30/21	\$0.00	\$174,536.35	\$1,000,000.00	\$387,087.68	\$11,218.65
AL	09/30/21	\$140,000.00	\$104,755.09	\$55,000.00	\$8,959.43	\$21,588.00
AR	09/30/21	\$12,000.00	\$426,229.40	\$480,001.00	\$23,017.81	\$9,263.20
AZ	08/31/21	\$549,800.00	\$400,750.56	\$299,900.00	\$45,000.00	\$27,071.90
DC	05/03/21	\$0.00	\$0.00	\$0.00	\$0.00	\$8,203.50
IA	11/05/19	\$0.00	\$0.00	\$0.00	\$0.00	\$180.00
IL	08/31/21	\$100,000.00	\$118,726.36	\$300,000.00	\$127,544.72	\$24,792.00
IN	08/31/21	\$362,001.00	\$123,053.75	\$132,002.00	\$63,552.25	\$272.11
KY	09/30/21	\$0.00	\$301,408.75	\$400,002.00	\$229,585.91	\$28,672.60
LA	08/31/21	\$100,000.00	\$300,479.78	\$726,473.50	\$648,931.10	\$19,181.07
MD	08/10/21	\$0.00	\$0.00	\$0.00	\$0.00	\$23,030.65
MO	08/31/21	\$723,380.49	\$271,151.73	\$200,002.00	\$143,889.37	\$123,766.15
MS	08/31/21	\$0.00	\$10,434.81	\$0.00	\$0.00	\$18,536.09
NM	08/31/21	\$1,367,500.00	\$588,324.95	\$200,001.00	\$153,448.81	\$44,081.95
NV	09/30/21	\$810,000.00	\$156,480.66	\$100,000.00	\$55,275.10	\$11,751.60
OK	06/30/21	\$737,500.00	\$364,983.47	\$615,001.00	\$85,140.12	\$34,623.77
OR	06/31/21	\$30,000.00	\$47,605.46	\$0.00	\$0.00	\$11,303.55
TN	08/31/21	\$170,000.00	\$142,511.99	\$200,000.00	\$196,014.34	\$0.00
TX	09/30/21	\$1,847,349.86	\$1,710,536.75	\$3,125,017.00	\$1,102,760.80	\$486,135.02
WA	09/31/21	\$0.00	\$24,002.16	\$30,000.00	\$155,997.84	\$489.00
WV	09/30/21	\$375,000.00	\$645,850.88	\$1,472,043.00	\$679,231.80	\$109,368.15
Totals	09/30/21	\$7,324,531.35	\$5,911,822.90	\$9,335,442.50	\$4,105,437.08	\$1,013,528.96

CPIC Tax Return: On September 2, 2021, the SDR provided Capson Corp. with its 2020 proforma tax return for inclusion with the Capson group 2020 consolidated return. Capson Corp. has advised that it is working to establish 2020 as its final tax year, thus allowing CPIC to file for the 2021 tax year as an individual entity. Going forward, the SDR estimates that CPIC will have approximately \$40MM of net operating losses to utilize against any potential taxable income.

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. On September 29, 2021, Ag Workers advised the SDR of their intent to terminate the Agreement stating that CPIC no longer fits their needs or goals. The SDR is working to formally terminate the Agreement releasing the parties from all obligations thereunder.

Recovery of Unpaid Premium and Agent Balances: As of September 30, 2021, the SDR has collected unpaid premium totaling \$12,922 out of the \$47,039.49 sought for recovery. Agent balances collected as of September 30, 2021, totaled \$16,330 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 June 23, 2021, the state of Oregon initiated an ancillary proceeding against CPIC for the protection of Oregon policyholders. Oregon will be converting CPIC’s \$424,250 statutory deposit to fund the ancillary receivership.

Reinsurance: The SDR continues to report to reinsurers as required under CPIC’s reinsurance agreements. Reinsurance recoveries inception to date total \$938,376. The SDR continues to work with CPIC intermediary, Willis Towers Watson (“Willis”), to secure the production of CPIC reinsurance records to aid completion of the SDR’s analysis of amounts due under all reinsurance treaties. Although Willis has produced some CPIC records to the SDR, certain records highly relevant to the SDR’s reinsurance analysis and recovery efforts remain outstanding. The SDR is currently evaluating options for responding to any failure of Willis to ultimately produce CPIC records.

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 CPIC's proforma tax return for the 2020 tax year.
- Continued issuance of claim determinations for POCs filed with the receivership estate.
- Achieved significant progress towards updating case reserves for reinsurance matters.

Estate Goals to Achieve Prior to Next Status Conference

- Complete formal termination of transaction for sale of the CPIC charter and licenses to Ag Workers Mutual Auto Insurance Company.
- 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.