

Report for Special Master's Status Conference

October 25, 2022

R-561 Capson Physicians Insurance Company

Special Deputy Receiver ("SDR"): 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: Lori Talley

Background on Receivership

- Date of Permanent Injunction (Rehabilitation/Liquidation): February 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
- Initial Early Access Distribution: \$6,689,544.21 Issued July 2, 2021

Statement of Assets and Liabilities as of September 30, 2022

Total Assets:	\$11,056,943
Cash & Invested Assets:	\$ 4,089,510
Non-Cash Assets:	\$ 6,967,433
Total Liabilities:	\$56,639,796
Negative Equity:	(\$45,582,853)

Status and Activity Since Last Status Conference

General Matters

Operations During Coronavirus Pandemic: The SDR continues to conduct receivership operations utilizing video conferencing for all meetings of the receivership staff, as well as most other meetings required for administration of the receivership estate.

Federal Waiver: Efforts remain underway to secure a federal waiver for the CPIC estate. The SDR is currently working to determine if all plaintiffs have complied with terms of claim settlements requiring plaintiffs to reimburse Medicare and Medicaid for all

healthcare costs paid under these programs. Following the completion of our investigation, we will file the request for federal waiver with the U.S. Department of Justice.

Claims Activity

Proof of Claim (“POC”) Process: As of September 30, 2022, 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, 2022, claim determinations have been issued on three-hundred forty (340) POC’s.

Claim Litigation: There were no new lawsuits filed against CPIC and/or the SDR during the last quarter.

Guaranty Association Reporting: As of September 30, 2022, the Guaranty Associations have submitted the loss reports summarized below.

State	Report Date	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Paid Unearned Premium
AK	08/31/22	\$475,000.00	\$336,685.30	\$0.00	\$9,983.00	\$11,218.65
AL	09/30/22	\$140,000.00	\$182,217.91	\$55,000.00	\$5,095.09	\$21,588.00
AR	06/30/22	\$12,000.00	\$478,676.57	\$465,001.00	\$12,281.99	\$12,379.12
AZ	08/31/22	\$714,800.00	\$446,609.18	\$0.00	\$0.00	\$44,970.40
DC	05/31/21	\$0.00	\$0.00	\$0.00	\$0.00	\$8,203.50
IA	12/31/19	\$0.00	\$0.00	\$0.00	\$0.00	\$180.00
IL	08/31/22	\$182,061.65	\$166,146.46	\$0.00	\$0.00	\$24,792.00
IN	09/30/22	\$362,001.00	\$123,970.75	\$3,000.00	\$13,266.97	\$272.11
KY	09/30/22	\$600,000.00	\$427,722.37	\$145,002.00	\$224,455.68	\$28,672.60
LA	09/30/22	\$309,900.00	\$431,904.55	\$424,900.00	\$259,040.59	\$19,181.07
MD	08/31/21	\$0.00	\$0.00	\$0.00	\$0.00	\$23,030.65
MO	08/31/22	\$988,380.49	\$290,475.31	\$0.00	\$45,907.00	\$123,766.15
MS	09/30/22	\$0.00	\$10,434.81	\$0.00	\$0.00	\$18,536.09
NM	09/30/22	\$1,537,500.00	\$762,708.90	\$155,000.00	\$50,351.78	\$44,081.95
NV	09/30/22	\$810,000.00	\$167,959.56	\$0.00	\$25,000.00	\$11,751.60
OK	08/31/22	\$910,601.00	\$476,349.92	\$401,900.00	\$80,615.14	\$34,623.77
OR	06/30/22	\$30,000.00	\$50,523.26	\$0.00	\$0.00	\$11,303.55
TN	08/31/22	\$170,000.00	\$173,081.14	\$200,000.00	\$160,925.39	\$0.00
TX	09/30/22	\$2,339,849.86	\$2,199,858.28	\$2,597,510.00	\$924,912.32	\$486,135.02
WA	09/30/22	\$0.00	\$29,079.63	\$50,000.00	\$150,920.37	\$7,758.00
WV	09/30/22	\$825,000.00	\$928,770.74	\$500,001.00	\$429,449.07	\$109,368.15
Totals	09/30/22	\$10,407,094.00	\$7,683,174.64	\$4,997,314.00	\$2,392,204.39	\$1,041,812.38

Asset Recovery Activity

Recovery of Unpaid Premium and Agent Balances: There have been no additional recoveries of agent balances or unpaid premium since the date of our last report. Therefore, as of September 30, 2022, 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, 2022, totaled \$16,330 out of the \$18,751.80 sought for recovery. The SDR has recently issued additional correspondence reasserting its demands for payment of outstanding amounts due.

Statutory Deposits: CPIC has statutory deposits in New Mexico (\$330,000) and Oregon (\$425,000). The New Mexico and Oregon statutory deposits are being held in ancillary receiverships for the protection of policyholders within these states. With respect to the Oregon statutory deposit, the SDR continues to work with the Oregon ancillary receiver and the Oregon Insurance Guaranty Association to determine if all claims in Oregon are closed and if so, to recover any funds remaining from the statutory deposit.

Reinsurance: The SDR continues to report to reinsurers as required under CPIC's reinsurance agreements. Reinsurance recoveries from inception through September 30, 2022, total \$1,365,607. The SDR has completed its assessment of the commutation value of all excess of loss ("XOL") reinsurance treaties. With respect to the quota share treaties, the value based on currently ceded claims has been incorporated into the commutation analysis and additional work is being done to assess the value of potential recoveries for the remaining open claims under these treaties. The SDR is currently working to finalize all commutation offers and anticipates that it will begin the commutation process with reinsurers within the next few weeks.

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

- Continued issuance of claim determinations for POCs filed with the receivership estate.
- Achieved substantial progress on the SDR's request for federal waiver including confirmation of the satisfaction of many Medicare and Medicaid reimbursement obligations provided for in settlements funded by CPIC.
- Achieved substantial progress towards completion of the SDR's assessment of the commutation value of all XOL and quota share reinsurance treaties.

- Completed the identification of Guaranty Association claims expected to remain open beyond September 30, 2022.

Estate Goals to Achieve Prior to Next Status Conference

- Achieve further progress on recovery of amounts determined to be due and recoverable from reinsurers, including the achievement of progress on commutation discussions with reinsurers.
- Continue issuance of claim determinations for POCs filed with the receivership estate.
- File request for federal waiver with the U.S. Department of Justice.

Estate Closing Date of Receivership: September 30, 2023

Identification of Factors Affecting Closing Date and Final Distribution: Completion of asset recovery actions including collection of amounts due under reinsurance agreements. Securing federal waiver for the CPIC receivership estate.