

Report for Special Master's Status Conference

February 2, 2024

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

RLO Analyst: Edwin Hartsfield

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
- Early Access Distribution: \$6,935,545 as of June 30, 2023

Statement of Assets and Liabilities as of December 31, 2023

Total Assets:	\$ 9,958,796
Cash & Invested Assets:	\$ 2,991,363
Non-Cash Assets:	\$ 6,967,433
Total Liabilities:	\$39,615,552
Negative Equity:	(\$29,656,756)

Status and Activity Since Last Status Conference

General Matters

Administrative Operations: 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: On April 21, 2023, the SDR filed its request for federal waiver with the U.S. Department of Justice. Receipt of response from the U.S. Department of Justice regarding this matter is not expected for several months and thus may impact the ultimate date for closure of the receivership estate.

Claims Activity

Proof of Claim (“POC”) Process: As of December 31, 2023, claimants have filed approximately 495 POCs (excluding any companion POC’s arising from the same medical incident) with the CPIC receivership estate. As of December 31, 2023, claim determinations have been issued on four-hundred sixteen (416) POC’s leaving seventy-nine (79) remaining for determination and consisting of twenty-five (25) Class 1 and 2 POC’s filed by the insurance guaranty associations, thirty-six (36) Class 2 POC’s filed by insureds and third-party claimants, and eighteen (18) Class 5 POC’s filed by reinsurers.

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

Guaranty Association Reporting: As of December 31, 2023, 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	01/31/23	\$475,000.00	\$338,658.86	\$0.00	\$0.00	\$11,218.65
AL	11/30/23	\$340,000.00	\$304,172.02	\$0.00	\$0.00	\$21,588.00
AR	09/30/23	\$62,000.00	\$605,502.37	\$25,000.00	\$9,285.36	\$12,379.12
AZ	11/30/23	\$714,800.00	\$446,948.48	\$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	11/30/23	\$182,061.65	\$166,146.46	\$0.00	\$0.00	\$24,792.00
IN	11/30/23	\$362,001.00	\$126,084.35	\$3,000.00	\$11,153.37	\$272.11
KY	12/31/23	\$600,000.00	\$495,254.37	\$145,001.00	\$193,656.10	\$28,672.60
LA	11/30/23	\$429,900.00	\$548,775.59	\$170,000.00	\$144,638.62	\$19,181.07
MD	08/31/21	\$0.00	\$0.00	\$0.00	\$0.00	\$23,030.65
MO	11/30/23	\$988,380.49	\$285,448.43	\$0.00	\$0.00	\$123,766.15
MS	11/30/23	\$0.00	\$10,434.81	\$0.00	\$0.00	\$18,536.09
NM	11/30/23	\$1,737,500.00	\$933,243.13	\$120,000.00	\$17,368.61	\$44,081.95
NV	11/30/23	\$810,000.00	\$167,959.56	\$0.00	\$25,000.00	\$11,751.60
OK	10/31/23	\$1,240,086.81	\$530,909.87	\$75,514.19	\$26,816.00	\$34,623.77
OR	09/30/23	\$30,000.00	\$50,523.26	\$0.00	\$0.00	\$11,303.55
TN	11/30/23	\$187,500.00	\$314,474.52	\$100,000.00	\$8,334.10	\$0.00
TX	11/30/23	\$3,014,849.86	\$2,876,611.31	\$1,125,004.00	\$309,891.01	\$486,135.02
WA	11/30/23	\$40,000.00	\$50,971.61	\$20,000.00	\$46,769.86	\$7,758.00
WV	11/30/23	\$1,025,000.00	\$959,247.24	\$300,000.00	\$214,150.94	\$109,368.15
Total	12/31/23	\$12,239,079.81	\$9,211,366.24	\$2,083,519.19	\$1,007,063.97	\$1,041,812.38

Asset Recovery Activity

Statutory Deposits: CPIC had 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. In February 2022, \$250,000 of New Mexico's statutory deposit was approved as an early access distribution as part of the New Mexico ancillary proceedings. In June 2023, the SDR and the Oregon ancillary receiver reached an agreement on release of the statutory deposit and on or about August 29, 2023, the SDR received a copy of the fully executed special deposit release agreement. In September 2023, the Oregon Circuit Court entered an order approving the special deposit release agreement authorizing disbursement of any unused portion of the special deposit to CPIC. Currently, the SDR is awaiting receipt of the special deposit.

Reinsurance: The SDR continues to report to reinsurers as required under CPIC's reinsurance agreements. Reinsurance recoveries from inception through December 31, 2023, remain at \$1,452,152, as there have been no additional recoveries since the last status conference. As previously reported, the SDR is in discussions with CPIC reinsurers regarding the commutation of all reinsurance treaties. As part of the commutation process, the SDR is also in discussions with Granite State Insurance Company ("GSIC") to reach agreement regarding GSIC's participation in reinsurance recoveries on the commuted treaties because of the pre-receivership fronting arrangement between GSIC and CPIC. The SDR is currently working to conclude the commutation process by end of the first quarter 2024.

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.
- Continued discussions with reinsurers regarding the commutation of reinsurance treaties, as well as discussions with GSIC regarding its participation in the reinsurance recoveries arising from same.
- The Oregon ancillary receiver obtained an order from the Oregon Circuit Court approving its special deposit release agreement with the SDR, and authorizing disbursement of any unused portion of the deposit to CPIC.

Estate Goals to Achieve Prior to Next Status Conference

- Complete the commutation process with CPIC reinsurers recovering all amounts due under CPIC reinsurance treaties.
- Continue issuance of claim determinations for POCs filed with the receivership estate.
- Complete recovery of any unused portion of the Oregon special deposit.

Closing Date of Receivership Estate: June 30, 2024

Identification of Factors Affecting Closing Date and Final Distribution: Completion of the commutation process for all CPIC reinsurance treaties. Securing federal waiver for the CPIC receivership estate.