

Report for Special Master's Status Conference

May 3, 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 March 31, 2024

Total Assets:	\$ 10,254,305
Cash & Invested Assets:	\$ 3,286,872
Non-Cash Assets:	\$ 6,967,433
Total Liabilities:	\$37,314,738
Negative Equity:	(\$27,060,433)

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 March 31, 2024, claimants have filed approximately 495 POCs (excluding any companion POC’s arising from the same medical incident) with the CPIC receivership estate. As of March 31, 2024, claim determinations have been issued on four-hundred thirty-six (436) POC’s leaving fifty-nine (59) remaining for determination and consisting of twenty-three (23) Class 1 and 2 POC’s filed by the insurance guaranty associations, twenty-four (24) Class 2 POC’s filed by insureds and third-party claimants, and twelve (12) 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 March 31, 2024, 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	02/29/24	\$340,000.00	\$304,172.02	\$0.00	\$0.00	\$21,588.00
AR	12/31/23	\$62,000.00	\$613,113.87	\$25,000.00	\$6,673.86	\$12,379.12
AZ	02/29/24	\$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	02/29/24	\$182,061.65	\$166,146.46	\$0.00	\$0.00	\$24,792.00
IN	02/29/24	\$362,001.00	\$126,180.35	\$3,000.00	\$11,057.37	\$272.11
KY	03/31/24	\$700,000.00	\$520,481.32	\$105,001.00	\$118,429.15	\$28,672.60
LA	02/29/24	\$429,900.00	\$567,610.90	\$75,000.00	\$80,499.55	\$19,181.07
MD	08/31/21	\$0.00	\$0.00	\$0.00	\$0.00	\$23,030.65
MO	02/29/24	\$988,380.49	\$285,448.43	\$0.00	\$0.00	\$123,766.15
MS	02/29/24	\$0.00	\$10,434.81	\$0.00	\$0.00	\$18,536.09
NM	02/29/24	\$1,737,500.00	\$962,446.09	\$120,000.00	\$6,174.60	\$44,081.95
NV	02/29/24	\$810,000.00	\$167,959.56	\$0.00	\$25,000.00	\$17,229.10
OK	02/29/24	\$1,240,086.81	\$550,020.96	\$0.00	\$0.00	\$34,623.77
OR	12/31/23	\$30,000.00	\$50,523.26	\$0.00	\$0.00	\$11,303.55
TN	02/29/24	\$287,499.99	\$315,870.52	\$0.01	\$7,056.10	\$0.00
TX	02/29/24	\$3,189,849.86	\$2,951,829.07	\$1,050,003.00	\$320,088.78	\$486,135.02
WA	03/31/24	\$40,000.00	\$54,534.11	\$20,000.00	\$43,207.36	\$7,758.00
WV	02/29/24	\$1,075,000.00	\$961,917.24	\$200,000.00	\$120,500.80	\$109,368.15
Total	03/31/24	\$12,664,079.80	\$9,394,296.31	\$1,598,004.01	\$738,687.57	\$1,047,289.88

Asset Recovery Activity

Statutory Deposits: 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. On March 14, 2024, CPIC received a wire transfer into its Texas Treasury account from the Oregon Department of Consumer and Business Services totaling \$423,125 in refund 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. Recently, the SDR reached a tentative agreement with Renaissance Re for the commutation of all treaty obligations that will result in a significant recovery for CPIC when completed. The SDR also remains in discussions with Granite State Insurance Company ("GSIC") in an effort to reach agreement regarding GSIC's participation in reinsurance recoveries on many of the treaties to be commuted because of the pre-receivership fronting arrangement between GSIC and CPIC. The SDR currently anticipates concluding the commutation process by end of the third 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.
- Reached a tentative agreement with Renaissance Re regarding the commutation of reinsurance treaty obligations and achieved progress on commutation discussions with the remaining reinsurers.
- Continued discussions with GSIC regarding its participation in the reinsurance recoveries arising from the commutation process.
- Completed recovery of the Oregon special deposit.

Estate Goals to Achieve Prior to Next Status Conference

- Continue issuance of claim determinations for POCs filed with the receivership estate.
- Complete commutation agreement with Renaissance Re and obtain Receivership Court approval of the agreement followed by recovery of commutation funds.
- Achieve additional progress with CPIC reinsurers in the commutation process recovering amounts due under CPIC reinsurance treaties.
- Complete agreement with GSIC regarding its participation in the reinsurance recoveries arising from the commutation process.

Closing Date of Receivership Estate: December 31, 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.