

# RECEIVERSHIP STATUS REPORT TO THE SPECIAL MASTER

January 31, 2025

## R-561 Capson Physicians Insurance Company (“CPIC”)

|                                 |                                       |                            |                    |
|---------------------------------|---------------------------------------|----------------------------|--------------------|
| <b>Special Deputy Receiver:</b> | CANTILO &<br>BENNETT, L.L.P.          | <b>TX Guaranty Assoc.:</b> | TPCIGA             |
| <b>SDR Responsible Person:</b>  | Joseph N. West                        | <b>Receiver’s Counsel:</b> | David Ashton       |
| <b>SDR’s Counsel:</b>           | Greg Pierce and<br>Christopher Fuller | <b>Est’d Closing Date:</b> | September 30, 2025 |

### ACCOMPLISHMENTS SINCE LAST STATUS CONFERENCE:

- The SDR and the U.S. Department of Justice completed execution of the Federal Priority Statute Release Agreement.
- Advanced discussions with reinsurers regarding the commutation CPIC reinsurance treaties including, but not limited to, responding to reinsurer requests for additional information.
- Issued claim determinations on four (4) proofs of claim (“POCs”).

### ESTATE GOALS TO ACHIEVE IN THE NEXT QUARTER:

- Complete commutation agreements with reinsurers, Markel Global Re, XL Re America, SCOR Re, Hannover Rueck SE, and all Lloyd’s Syndicates.
- Continue work towards completion of claim determinations on the remaining thirty-nine (39) POCs.

## 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, 2024

|                         |                |
|-------------------------|----------------|
| Total Assets:           | \$ 10,636,783  |
| Cash & Invested Assets: | \$ 3,669,350   |
| Non-Cash Assets:        | \$ 6,967,433   |
| Total Liabilities:      | \$ 35,565,086  |
| Negative Equity:        | (\$24,928,303) |

## 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.

### Claims Activity

**Proof of Claim (“POC”) Process:** As of December 31, 2024, claimants have filed approximately five-hundred twenty-one (521) POCs (excluding any companion POCs arising from the same medical incident) with the CPIC receivership estate. As of December 31, 2024, claim determinations have been issued on four-hundred eighty-two (482) POCs leaving thirty-nine (39) remaining for determination and consisting of seventeen (17) Class 1 and two (2) POCs filed by the insurance guaranty associations, ten (10) Class 2 POCs filed by insureds and third-party claimants, and twelve (12) Class 5 POCs filed by reinsurers. The SDR anticipates that the reinsurer POCs will be resolved as part of the commutation process.

**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, 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           | 10/31/24        | \$475,000.00           | \$339,146.36          | \$0.00                | \$0.00              | \$11,218.65           |
| AL           | 12/31/24        | \$340,000.00           | \$304,172.02          | \$0.00                | \$0.00              | \$21,588.00           |
| AR           | 12/31/24        | \$62,000.00            | \$659,476.21          | \$25,000.00           | \$2,580.60          | \$12,379.12           |
| AZ           | 12/31/24        | \$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              |
| ID           | 06/30/24        | \$0.00                 | \$0.00                | \$0.00                | \$0.00              | \$4,604               |
| IL           | 11/30/24        | \$182,061.65           | \$166,146.46          | \$0.00                | \$0.00              | \$24,792.00           |
| IN           | 11/30/24        | \$362,001.00           | \$126,260.35          | \$0.00                | \$0.00              | \$272.11              |
| KY           | 12/31/24        | \$700,000.00           | \$547,506.01          | \$100,00.00           | \$72,283.55         | \$28,672.60           |
| LA           | 12/31/24        | \$429,900.00           | \$592,646.83          | \$75,000.00           | \$58,234.96         | \$19,181.07           |
| MD           | 08/31/21        | \$0.00                 | \$0.00                | \$0.00                | \$0.00              | \$23,030.65           |
| MO           | 11/30/24        | \$988,380.49           | \$285,448.43          | \$0.00                | \$0.00              | \$123,766.15          |
| MS           | 11/30/24        | \$0.00                 | \$10,434.81           | \$0.00                | \$0.00              | \$18,536.09           |
| MT           | 06/30/24        | \$0.00                 | \$0.00                | \$0.00                | \$0.00              | \$6,203.00            |
| NE           | 06/30/24        | \$0.00                 | \$0.00                | \$0.00                | \$0.00              | \$7,231.50            |
| NM           | 11/30/24        | \$1,937,500.00         | \$988,198.21          | \$0.00                | \$46,000.00         | \$44,081.95           |
| NV           | 05/31/24        | \$810,000.00           | \$167,959.56          | \$0.00                | \$0.00              | \$17,229.10           |
| OK           | 12/31/24        | \$1,240,086.81         | \$550,020.96          | \$0.00                | \$0.00              | \$34,623.77           |
| OR           | 09/30/24        | \$30,000.00            | \$50,523.26           | \$0.00                | \$0.00              | \$11,303.55           |
| TN           | 11/30/24        | \$287,499.99           | \$315,870.52          | \$0.00                | \$0.00              | \$0.00                |
| TX           | 12/31/24        | \$3,369,849.86         | \$3,113,432.05        | \$870,003.00          | \$232,007.55        | \$486,135.02          |
| WA           | 12/31/24        | \$40,000.00            | \$54,541.61           | \$20,000.00           | \$43,199.86         | \$17,036.69           |
| WV           | 12/31/24        | \$1,075,000.00         | \$976,687.24          | \$200,000.00          | \$14,235.80         | \$109,368.15          |
| <b>Total</b> | <b>12/31/24</b> | <b>\$13,044,079.80</b> | <b>\$9,695,419.37</b> | <b>\$1,290,003.00</b> | <b>\$468,542.32</b> | <b>\$1,074,607.07</b> |

## Asset Recovery Activity

- **Reinsurance:** The SDR continues to report to reinsurers as required under CPIC’s reinsurance agreements. Reinsurance recoveries for the current fiscal year and from inception through December 31, 2024, total \$728,139 and \$2,225,082, respectively. As previously reported, the SDR remains in discussions with CPIC reinsurers regarding the commutation of all reinsurance treaties. Recently, the SDR and representatives of GSIC agreed to cooperate with each other regarding commutations involving excess of loss (“XOL”) and quota share reinsurers associated with GSIC’s participation in the pre-receivership fronting arrangement with CPIC. Pursuant to the Settlement Agreement dated February 24, 2020, between the SDR and GSIC, GSIC retains its rights in the cut-through endorsements with CPIC XOL reinsurers (“Retrocession”) and shall have the right to pay the XOL reinsurers any related Retrocession premium. However, the SDR and GSIC have further agreed that any recoveries under the commutations between CPIC and the XOL reinsurers shall be for the sole benefit of CPIC. The SDR is working to conclude the commutation process by June 30, 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.

**Closing Date of Receivership Estate:** September 30, 2025

**Identification of Factors Affecting Closing Date and Final Distribution:** Completion of the POC process. Completion of the commutation process for all CPIC reinsurance treaties.