

## Report for Special Master's Status Conference

April 26, 2022

### 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
- Initial Early Access Distribution: \$6,689,544.21 Issued July 2, 2021

### Statement of Assets and Liabilities as of March 31, 2022

Total Assets:	\$11,293,426
Cash & Invested Assets:	\$ 4,325,993
Non-Cash Assets:	\$ 6,967,433
Total Liabilities:	\$62,503,998
Negative Equity:	(\$51,210,572)

### 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 continue to be conducted remotely utilizing video conferencing.

**Federal Waiver:** Efforts are underway to secure a federal waiver for the CPIC estate. The SDR is currently researching CPIC settlement reporting practices in an effort to identify all matters that may be associated with Medicare secondary payer recovery claims.

## Claims Activity

**Proof of Claim (“POC”) Process:** As of March 31, 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 March 31, 2022, claim determinations have been issued on one-hundred ninety (190) POC’s. Moreover, on or about April 6, 2022, the SDR issued claim determinations as to priority only on 135 Class 5 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 March 31, 2022, the Guaranty Associations have submitted the loss reports summarized below. In preparation for wind-down and closure of the receivership estate, the SDR is currently working with the Guaranty Associations in an effort to identify claim matters expected to remain open beyond September 30, 2022.

State	Report Date	Loss Payments	Expense Payments	Loss Reserves	Expense Reserves	Paid Unearned Premium
AK	02/28/22	\$475,000.00	\$312,286.81	\$525,000.00	\$334,337.22	\$11,218.65
AL	03/31/22	\$140,000.00	\$160,823.32	\$55,000.00	\$15,260.03	\$21,588.00
AR	03/31/22	\$12,000.00	\$456,157.41	\$465,001.00	\$23,101.15	\$12,379.12
AZ	03/31/22	\$549,800.00	\$446,228.18	\$299,900.00	\$3,788.39	\$44,970.40
DC	05/03/21	\$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	02/28/22	\$182,061.65	\$165,570.46	\$220,000.00	\$80,700.62	\$24,792.00
IN	03/31/22	\$362,001.00	\$123,682.75	\$3,000.00	\$13,554.97	\$272.11
KY	03/31/22	\$300,000.00	\$326,630.52	\$440,002.00	\$273,424.96	\$28,672.60
LA	02/28/22	\$199,900.00	\$355,426.54	\$657,700.00	\$543,968.20	\$19,181.07
MD	08/31/21	\$0.00	\$0.00	\$0.00	\$0.00	\$23,030.65
MO	02/28/22	\$988,380.49	\$287,839.31	\$1.00	\$76,995.68	\$123,766.15
MS	03/31/22	\$0.00	\$10,434.81	\$0.00	\$0.00	\$18,536.09
NM	01/31/22	\$1,492,500.00	\$701,300.87	\$150,000.00	\$73,797.57	\$44,081.95
NV	03/31/22	\$810,000.00	\$167,959.56	\$0.00	\$25,000.00	\$11,751.60
OK	03/31/22	\$887,500.00	\$446,228.72	\$425,001.00	\$48,461.46	\$34,623.77
OR	12/31/21	\$30,000.00	\$49,490.26	\$0.00	\$0.00	\$11,303.55
TN	03/31/22	\$170,000.00	\$160,582.19	\$200,000.00	\$173,424.34	\$0.00
TX	03/31/22	\$2,009,849.86	\$1,955,137.29	\$3,065,015.00	\$955,907.10	\$486,135.02
WA	03/31/22	\$0.00	\$25,729.16	\$30,000.00	\$154,270.84	\$489.00
WV	01/31/22	\$375,000.00	\$810,554.79	\$1,472,044.00	\$776,027.89	\$109,368.15
<b>Totals</b>	<b>03/31/22</b>	<b>\$8,983,993.00</b>	<b>\$6,962,062.95</b>	<b>\$8,007,664.00</b>	<b>\$3,572,020.42</b>	<b>\$1,034,543.38</b>

## Asset Recovery Activity

**Recovery of Unpaid Premium and Agent Balances:** As of March 31, 2022, the SDR has collected unpaid premium totaling \$12,922 out of the \$47,039.49 sought for recovery. Agent balances collected as of March 31, 2022, totaled \$16,330 out of the \$18,751.80 sought for recovery. The SDR is evaluating options for improving the recovery of premium and agent balances due CPIC.

**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 and has converted \$424,250 of CPIC's statutory deposit to fund the ancillary receivership.

**Reinsurance:** The SDR continues to report to reinsurers as required under CPIC's reinsurance agreements. Reinsurance recoveries from inception through March 31, 2022, total \$1,014,429. Reinsurance recoveries for the month of April 2022, through the date of this report total approximately \$287,000.

As previously reported, the SDR is in the process of determining the commutation value of the various excess of loss ("XOL") and quota share reinsurance treaties. In this regard, the SDR is evaluating the balances due or owed on all treaties and incorporating adjustments due for prior periods. The balance due or owed on each treaty is then being allocated to each participating syndicate and offset with amounts on the other treaties for each participating syndicate to arrive at a specific amount due to CPIC or owed to each syndicate, and to determine what is an appropriate offer to commute each treaty. The SDR believes it will be able to begin discussions with reinsurers regarding commutation before the end of the 2<sup>nd</sup> Quarter 2022.

## 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.
- Completed substantial recoveries from CPIC reinsures
- Continued updating case reserves for reinsurance matters.

### **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 initiation of discussions with reinsurers regarding commutation.
- Continue issuance of claim determinations for POCs filed with the receivership estate.
- Complete identification of Guaranty Association claims expected to remain open beyond September 30, 2022.
- File request for federal waiver with the U.S. Department of Justice

**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.