



CLERK OF THE COURT

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12 **IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
13 **CLARK COUNTY, NEVADA**

14 STATE OF NEVADA, EX REL.
15 COMMISSIONER OF INSURANCE, IN HIS
16 OFFICIAL CAPACITY AS STATUTORY
17 RECEIVER FOR DELINQUENT DOMESTIC
18 INSURER,
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20 Plaintiff,
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22 vs.
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24 PROFESSIONAL AVIATION INSURANCE
25 RECIPROCAL, a Nevada Domiciled
26 Reciprocal Captive Insurance Company,
27 Defendant.

28 Case No. A-700829-P
(Coordinated with A-705863 on certain matters)
Dept. No. XXIV

THIRD STATUS REPORT

COME NOW, Scott J. Kipper, Commissioner of Insurance (the "Commissioner") for the State of Nevada in his capacity as Permanent Receiver of Professional Aviation Insurance Reciprocal ("PAIR"), and Regulatory Services Group ("RSG"), Receivership Manager of PAIR, and file this third Status Report in the above-captioned receivership.

I. INTRODUCTION AND HISTORICAL BACKGROUND

PAIR is an unincorporated association formed as a captive insurance company pursuant to Chapter 694C of the Nevada revised statues (NRS) and operating as a reciprocal insurer as that term is defined by NRS 680A.040. PAIR is domiciled in the State of Nevada and received its Certificate of Authority on November 27, 2007. As a reciprocal insurer, the

1 subscribers of PAIR operated through an Attorney-In-Fact, T. Edwards, LLC, a Nevada
2 domestic limited liability company, to enable the exchange of contracts of insurance among
3 themselves. PAIR's program provides hull liability insurance (physical damage) to its
4 subscribers – pilots and pilot groups specializing in the Air Tractor industry – on a claims-
5 made basis.

6 On July 3, 2014, an Order Appointing the Nevada Insurance Commissioner as
7 Permanent Receiver of PAIR ("Permanent Receivership Order") was entered by the Eighth
8 Judicial District Court of the State of Nevada for Clark County (the "Court").

9 On June 2, 2014, Commissioner Kipper as Permanent Receiver of PAIR retained David
10 E. Wilson and Regulatory Services Group ("RSG") as Receivership Manager. The
11 Receivership Manager was authorized to retain the services of Scott Pearce of RSG as his
12 Receivership Supervisor. As provided for by the Permanent Receivership Order, the Receiver
13 and Receivership Manager are authorized to conduct the business of PAIR and to administer
14 its affairs for the protection of all secured creditors, insureds, policyholders, and general
15 creditors.

16 The Permanent Receivership Order appointed the Commissioner as Permanent
17 Receiver pursuant to NRS 696B.220 for the purpose of liquidating the business of insolvent
18 PAIR and granted other permanent relief.

19 II. RECEIVERSHIP ADMINISTRATION

20 A. Notices of Receivership and Notification of Interested Parties

21 The Receivership Manager continues to provide notice of the receivership proceeding
22 apprising any known interested parties or claimants of the receivership and pending
23 liquidation of PAIR. Additionally, the Regulatory Services Group website is periodically
24 updated with any material developments and information as well as links to view and obtain
25 copies of the permanent receivership order and any subsequent pleadings filed in the PAIR
26 receivership.

1 The Receivership Manager has completed service of a certified copy of the permanent
2 receivership order on the Company's depository banking partner Well Fargo Bank and has
3 taken full authority over PAIR's sole bank account.

4 Counsel for the Receiver and RSG together continue to receive and address periodic
5 inquiries from stakeholders or interested parties that have been provided notice of the
6 receivership. As reported in prior PAIR status filings with the Court copies of the permanent
7 receivership and liquidation order have been served upon both Constance Akridge, Esq.,
8 counsel for Risk Services LLC., and the Corporation Service Company ("CSC") in their
9 capacities as the former captive manager and registered agent of service respectively for
10 PAIR. In addition, RSG delivered copies of the Permanent Receivership Order to Trevor
11 Edwards and T. Edwards, LLC as the Attorney-In-Fact of PAIR; Morris, Manning and Martin,
12 LLP in their capacity as legal counsel to Mr. Edwards as Attorney-In-Fact for PAIR; all
13 members of the Board of Directors of PAIR; all known subscribers to PAIR as well as all
14 known reinsurers, brokers, reinsurance intermediaries, professional service providers and any
15 other known stakeholders to PAIR. The Receiver published legal notice of the permanent
16 receivership proceeding in the Wall Street Journal as PAIR wrote insurance in several
17 different areas of the country. This was done as part of the proof of claims process.

18 **B. Policyholder Related Claims**

19 As of December 31, 2014, PAIR reported six open claims totaling \$1,574,040 in
20 estimated policy liability (one claim remains unreserved at present as there are insufficient
21 facts presented to the Receiver). Final policyholder liability will be determined after completion
22 of the Receivership Manager's evaluation of all submitted claims through the Proof of Claim
23 process. PAIR's open claims are not covered by any insurance guaranty statutes. PAIR
24 insured each of the policy claimants for "hull" or property damage coverage. Two of the open
25 claims were being litigated at the time of the entry of the permanent receivership order.
26 Notice of the PAIR receivership proceeding and the associated injunctions have been
27 appropriately provided in the litigated matters.

28

1 **C. General Creditor and/or Other Enterprise Claims**

2 As of December 31, 2014 and based upon available information the Receivership
3 Manager estimates approximately \$318,400 in general creditor and/or other enterprise claims
4 in addition to the known policy liability. In accordance with the statutory claims-priority
5 scheme, the Receivership Manager will need to evaluate the claims through the Proof of
6 Claim process, determine the proper class of the claim under NRS 696B.420. If the
7 Receivership Manager does not have sufficient assets to pay all approved policyholder claims
8 in full, he will forego any additional work and costs associated with reviewing and determining
9 lower priority claims as there will be no assets to satisfy such claims.

10 **D. Proof of Claim Process**

11 The Receivership Manager will review and determine the merit of the open claims via a
12 proof of claims process and will seek to address any approved obligations in accordance with
13 the Receivership Order and PAIR's limited resources. Publication of the legal notice and
14 actual mailing of Proof of Claim forms and instructions happened in the last week of January,
15 2015. The Receivership Manager believes that all known potential creditors of the estate have
16 been identified, and a Proof of Claim form has been sent to each potential creditor. The claims
17 bar date was established at July 31, 2015.

18 **E. Reinsurance**

19 Of the five open subject to a reinsurance treaty. Under the 2013 treaty, approved
20 claims are recoverable from London reinsurers in the amount of \$680,000 in excess of a
21 \$350,000 retention per aircraft. Based on the claims information available as of December 31,
22 2014, the reinsurance claims, only the Josh Heigle/Red River Aviation, Inc. claims (2) are
23 recovery estimates are:

Date of Loss	Gross Incurred	Retention	Net Loss
			Recoverable
05/24/2013	\$703,626	\$350,000	\$353,626
07/24/2013	\$372,000	\$350,000	\$ 22,000
Total			\$375,626

1 In addition, PAIR owes reinsurers the 4th quarter 2013 premium deposit of \$62,500
2 which may be offset against future reinsurance recoveries which will reduce the above
3 estimate to \$313,126.

4 **F. Records and Assets Control**

5 The Receivership Manager has essentially completed the process of taking possession
6 of PAIR's books and records, both tangible and electronic. The majority of PAIR's records is
7 maintained in electronic form, and was released to the Receivership Manager by its captive
8 manager Risk Services, LLC or by the reciprocals Attorney –In-Fact, Trevor Edwards of T.
9 Edwards, LLC. The Receivership Manager has set up a secure web-based location to receive
10 any additional books and records of PAIR as they become known. Although many of PAIRs
11 records were being held by parties in various states, the process of collecting all of PAIR's
12 documents and information is essentially complete and the Receivership Manager has
13 compiled what appears to be a comprehensive collection of the reciprocals books and
14 records.

15 In addition to records control, the Receivership Manager now has completed the
16 transition of control over PAIR's bank account at Wells Fargo Bank. The Receivership
17 Manager has not located and is not aware of any other material assets beyond the Wells
18 Fargo Bank account balance (including the LOC proceeds) belonging to PAIR with the
19 exception of the reinsurance program that may serve to pay a portion of any approved policy
20 related claims. The Receivership Manager will seek recovery of the reinsurance upon
21 determination of the policy related claims. At this time the potential reinsurance assets are
22 only estimates based upon information provided by the captive manager, the actual
23 reinsurance collections will be determined as policy claims are determined and the
24 Receivership Manager bills the reinsurers.

25 **G. Financial Analysis**

26 As of December 31, 2014 PAIR's Wells Fargo bank account had a balance of
27 \$469,639. Additionally, the Receivership Manager holds a \$50,000 retainer. PAIR anticipates
28 potential reinsurance recoveries of approximately \$313,126. Through December 31, 2014 the

1 Receivership Manager has incurred \$43,658 in administration expenses. Considering
2 potential reinsurance recoveries together with the current cash assets less administrative
3 expenses PAIR has total potential assets of approximately \$768,481 at December 31, 2014.
4 At December 31, 2014 PAIR continues to estimate in excess of \$1,890,000 in both policy
5 related claims and enterprise/vendor expense liabilities. The Receivership Manager has
6 commenced a formal POC process to determine the ultimate claim and creditor obligations of
7 the Company and will pursue recovery of any reinsurance assets. Thereafter the
8 Receivership Manager will seek court approval to distribute PAIR's remaining assets in
9 accordance with NRS 696B.420.

10 III. CONCLUSION

11 In compliance with NRS 696B.290(7), the Receivership Manager submits the
12 aforementioned report and respectfully requests that this Court approve this status report and
13 the actions of the Receiver and Receivership Manager.

14 DATED: February 12, 2015.

15 Respectfully submitted:

16 Scott J. Kipper, Commissioner of Insurance
17 of the State of Nevada, in his Official Capacity as
18 Statutory Receiver of Delinquent Domestic Insurers

19 By: /s/ Scott Pearce
20 Scott Pearce
21 Regulatory Services Group
22 Receivership Supervisor

23 Respectfully submitted by:

24 ADAM PAUL LAXALT
25 Attorney General

26 By: /s/ Joanna N. Grigoriev
27 Joanna N. Grigoriev
28 Senior Deputy Attorney General
Attorneys for the Commissioner of Insurance as Receiver

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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing Third Status Report via the electronic filing system on the 12th day of February, 2015 and that it was served as follows:

- The participants are not registered electronic filing system users in this case and I have mailed the foregoing document by First Class Mail, postage prepaid to:

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/s/ Marilyn Millam
An employee of the Office of the Attorney General