



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,

19 Plaintiff,

20 vs.

21 PROFESSIONAL AVIATION INSURANCE
22 RECIPROCAL, a Nevada Domiciled
23 Reciprocal Captive Insurance Company,
24 Defendant.

Case No. A-700829-P

Dept. No. XXIV

25 **FIFTH STATUS REPORT**

26 COME NOW, Amy L. Parks, Acting¹ Commissioner of Insurance for the State of
27 Nevada in his capacity as Permanent Receiver (“Receiver”) of Professional Aviation Insurance
28 Reciprocal (“PAIR”), and Regulatory Services Group (“RSG”), Receivership Manager of PAIR,
and file this fourth 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 statutes (NRS) and operating as a reciprocal

¹ Amy L. Parks replaced Scott J. Kipper as Commissioner of Insurance following his resignation effective July 2, 2015.

1 insurer as that term is defined by NRS 680A.040. PAIR is domiciled in the State of Nevada
2 and received its Certificate of Authority on November 27, 2007. As a reciprocal insurer, the
3 subscribers of PAIR operated through an Attorney-in-fact, T. Edwards, LLC, a Nevada
4 domestic limited liability company, to enable the exchange of contracts of insurance among
5 themselves. PAIR's program provides hull liability insurance (physical damage) to its
6 subscribers – pilots and pilot groups specializing in the Air Tractor industry – on a claims-
7 made basis.

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

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

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

20 **II. RECEIVERSHIP ADMINISTRATION**

21 **A. Notices of Receivership and Notification of Interested Parties**

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

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B. Policyholder Related Claims

The claims bar date for the Proof of Claim process was 7/31/2015. All claims should now have been received by the Receivership Manager. Policyholder liability will be determined after completion of the Receivership Manager's evaluation of all submitted claims through the Proof of Claim process. Eight policyholder claims were filed with a total claimed amount of \$1,883,513.58. That figure does not include one claim that was asserted with an amount that was not yet determined, and the figure is inflated by at least one major claim that seeks extra contractual damages which, accepted, would not be considered a policyholder level class claim.

C. General Creditor and/or Other Enterprise Claims

The Proof of Claim process produced 5 asserted General Creditor category claims with claimed amounts equaling \$89,827.64. Additionally, there is one equity claim, a lower priority than general creditor claims, for \$1,225,000.

If the Receivership Manager does not have sufficient assets to pay all approved policyholder claims in full, he will forego any additional work and costs associated with reviewing and determining lower priority claims as there will be no assets to satisfy such claims.

D. Proof of Claim Process

As detailed above, the Proof of Claims process had an ultimate bar date of 7/31/2015, with total claimed amounts of \$3,198,341.22.

A detailed claims report pursuant to NRS 696B.330 (6) will be filed within the next 30 days.

E. Reinsurance

Under the 2013 treaty, approved claims are recoverable from London reinsurers in the amount of \$680,000 in excess of a \$350,000 retention per aircraft. Based on the POCs, filed with the estate through July 31, 2015, there is only one claim that has the potential to attach to

1 the reinsurance treaty, O'Brien Flying Services, Inc. The claimant filed a claim for \$1,528,422
2 but no determination has been made as of July 31, 2015.

3 In addition, PAIR owes reinsurers the 4th quarter 2013 premium deposit of \$62,500
4 which may be offset against future reinsurance recoveries, if any.

5 **F. Records and Assets Control**

6 The Receivership Manager has essentially completed the process of taking possession
7 of PAIR's books and records, both tangible and electronic.

8 **G. Financial Analysis**

9 As of July 31, 2015 PAIR's Wells Fargo bank account had a balance of \$434,450.
10 Additionally, the Receivership Manager holds a \$50,000 retainer. At this time, PAIR cannot
11 estimate potential reinsurance recoveries until the O'Brien Flying Services claim has been
12 determined. Through July 31, 2015 the Receivership Manager has incurred \$89,011 in
13 administration expenses. Considering the current cash assets less administrative expenses
14 PAIR has total potential assets of approximately \$417,441 at July 31, 2015. At July 31, 2015
15 PAIR continues to estimate in excess of \$1,890,000 in both policy related claims and
16 enterprise/vendor expense liabilities. The Receivership Manager has commenced a formal
17 POC process to determine the ultimate claim and creditor obligations of the Company and will
18 pursue recovery of any reinsurance assets. Thereafter the Receivership Manager will seek
19 court approval to distribute PAIR's remaining assets in accordance with NRS 696B.420.

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III. CONCLUSION

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

DATED: August 13, 2015.

Respectfully submitted:

Amy L. Parks, Acting Commissioner of Insurance
of the State of Nevada, in her Official Capacity as
Statutory Receiver of Delinquent Domestic Insurers

By: /s/ Scott Pearce
Scott Pearce
Regulatory Services Group
Receivership Supervisor

Respectfully submitted by:

ADAM PAUL LAXALT
Attorney General

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

CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing Fourth Status Report via the electronic filing system on the 13th day of August, 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:

Constance Akridge, Esq.
Holland & Hart, LLP
9555 Hillwood Drive, 2nd Floor

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

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