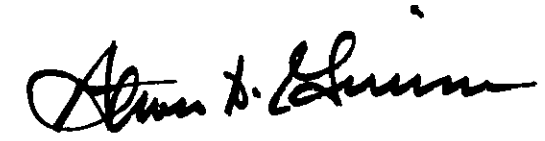


SR

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CLERK OF THE COURT

8 **DISTRICT COURT**

9 **CLARK COUNTY, NEVADA**

10 STATE OF NEVADA, EX REL.
11 COMMISSIONER OF INSURANCE, IN HIS
12 OFFICIAL CAPACITY AS STATUTORY
RECEIVER FOR DELINQUENT DOMESTIC
INSURER,

13 Plaintiff,

14 vs.

15 PROFESSIONAL AVIATION INSURANCE
16 RECIPROCAL, a Nevada Domiciled Reciprocal
Captive Insurance Company,

17 Defendant.

Case No. A-700829
Dept. No. XXIV

18
19
20 **TENTH STATUS REPORT**

21 COME NOW, Barbara Richardson¹ Commissioner of Insurance (the "Commissioner") for the
22 State of Nevada in her capacity as Permanent Receiver ("Receiver") of Professional Aviation Insurance
23 Reciprocal ("PAIR"), and Regulatory Services Group ("RSG"), Receivership Manager of PAIR, and
24 file this Tenth Status Report in the above-captioned receivership.

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28 ¹ Barbara Richardson is hereby substituted in the place and stead of Amy L. Parks as the Receiver for Professional
Aviation Insurance Reciprocal, as Ms. Richardson has been appointed Insurance Commissioner for the State of Nevada
following Ms. Parks' service as Acting Commissioner.

1 **I. INTRODUCTION AND HISTORICAL BACKGROUND**

2 PAIR was an unincorporated association formed as a captive insurance company pursuant to
3 Chapter 694C of the Nevada revised statues (NRS) and operated as a reciprocal insurer as that term is
4 defined by NRS 680A.040. PAIR was domiciled in the State of Nevada and received its Certificate of
5 Authority on November 27, 2007. As a reciprocal insurer, the subscribers of PAIR operated through an
6 Attorney-in-fact, T. Edwards, LLC, a Nevada domestic limited liability company, to enable the
7 exchange of contracts of insurance among themselves. PAIR’s program provided hull liability
8 insurance (physical damage) to its subscribers – pilots and pilot groups specializing in the Air Tractor
9 industry – on a claims-made basis.

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

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

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

22 **II. RECEIVERSHIP ADMINISTRATION**

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

24 The Receivership Manager provided notice of the receivership proceeding to all known
25 interested parties, and periodically addresses inquiries from interested parties or claimants of the
26 receivership and pending liquidation of PAIR. Additionally, the Regulatory Services Group website is
27 periodically updated with any material developments and information as well as links to view and
28

1 obtain copies of the permanent receivership order and any subsequent pleadings filed in the PAIR
2 receivership.

3 **B. Policyholder Related Claims**

4 The claims bar date for the Proof of Claim process was 7/31/2015. All claims have been
5 received and evaluated by the Receivership Manager. Policyholder liability will be determined after
6 determination by the Receivership Manager of the submitted claims through the Proof of Claim
7 process. Accompanying this filing is a claims listing pursuant to the requirements of NRS 696B.330(6).
8 Only four claims are now being considered as policyholder claims. Three of the four claims are now
9 resolved and approved, but the last remaining unresolved claim, that of O'Brien Flying Services, is still
10 undergoing a coverage analysis and, thereafter, it requires further analysis of the merits based on the
11 coverage review. The other unresolved Class (b) claim at the last status filing, Morris Manning's claim
12 for attorney fees, is now resolved. The claim shows as resolving for more than the claimed amount, but
13 after prove-up eliminating confusion between fees attributable to PROAIR versus those attributable to
14 PAIR, the approved amount is properly reflected. Given that the approved policyholder claims are now
15 at \$298,613 with projected total assets at closure expected to be approximately \$400,000, and that the
16 O'Brien claim is unlikely to be resolved within the difference of those numbers, it becomes apparent
17 that policyholder claims will be approved at amounts greater than total assets; thus, no claims below
18 policyholder class will be evaluated or considered. (NRS 696B.330(4))

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

20 The Proof of Claim process produced 6 asserted General Creditor category claims which, per
21 analysis above, will not be considered. Additionally, after review we find there are three equity claims,
22 a lower priority than general creditor claims and will not be considered.

23 **D. Proof of Claim Process**

24 All timely filed claims are in process. Assuming that the O'Brien claim resolves, this estate can
25 be moved to a final disposition within the next few months. If the resolution of the O'Brien claim
26 causes approved policyholder claims to exceed assets available, all creditors in lower claim priority
27 categories will be notified that there are no assets available to pay their class of claims.

28

1 A detailed claims report pursuant to NRS 696B.330 (6) is being filed contemporaneously with
2 this report.

3 **E. Reinsurance**

4 Under the 2013 treaty, approved claims are recoverable from London reinsurers in the amount
5 of \$680,000 in excess of a \$350,000 retention per aircraft. Based on the POCs, filed with the estate
6 through July 31, 2015, there is only one claim that has the potential to attach to the reinsurance treaty,
7 O'Brien Flying Services, Inc. The claimant filed a claim for \$1,528,422 but no determination has been
8 made as of December 31, 2015.

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

11 **F. Records and Assets Control**

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

14 **G. Financial Analysis**

15 As of September 30, 2016 PAIR's Wells Fargo bank account had a balance of \$356,672.
16 Additionally, the Receivership Manager holds a \$50,000 retainer. At this time, PAIR cannot estimate
17 potential reinsurance recoveries until the O'Brien Flying Services claim has been determined.
18 Through September 30, 2016 the Receivership Manager has incurred \$122,287 in administration
19 expenses. Considering the current cash assets less administrative expenses PAIR has total potential
20 assets of approximately \$343,812 at September 30, 2016. At September 30, 2016 PAIR has
21 policyholder liabilities believed to be in excess of total assets. Once the Receivership Manager
22 concludes policyholder claim determinations, it will seek court approval to distribute PAIR's remaining
23 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: November 15, 2016.

Respectfully submitted:

Barbara Richardson, 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 Tenth Status Report via the electronic filing system on the 15th day of November, 2016 and that it was served via US Mail as follows:

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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EXHIBIT A

EXHIBIT A

PAIR CLAIMS Pursuant to NRS 696B.330(6)

11/14/16

POC No.	Claimant Name	Claimed Amount	Claim Evaluated	Returned Date	Probable Priority	Status
300024	Tarheel Turbines	\$ 5,180.00	\$0.00	7/7/2015	b	Rejected
300059	Benny White Flying Service	\$ 101,706.83	\$80,082.95	3/31/2015	b	Approved
300064	Headwaters Flying Service	\$0.00	\$0.00	3/27/2015	b	Rejected
300070	STEIER AG AVIATION, INC.	\$ 216,122.01	\$189,863.68	5/11/2015	b	Approved
300074	O'Brien Flying Service	\$ 1,528,422.23	\$435,144.00	7/22/2015	b	Finalizing-Coverage review
300034	Morris, Manning & Martin, LLP Attn: Robert H. Myers, Jr. Esq	\$ 11,642.76	\$28,666.78	4/20/2015	b	PAIR-PROAIR Adjustment
			\$733,757.41			
300105	Risk Services, LLC	\$ 11,965.14		6/5/2015	g	No Money for Class
300106	LLOYD'S UNDERWRITER SYND NO. 2010 MMX	\$ 26,137.50		5/19/2015	g	No Money for Class
300107	ATRIUM AVIATION RE CONSORTIUM, NO. 9563	\$ 8,712.50		5/19/2015	g	No Money for Class
300108	XL RE EUROPE LIMITED	\$ 26,137.50		5/19/2015	g	No Money for Class
300109	HANNOVER RUCKVERSICHERUNG AKTIEN	\$ 16,875.00		6/30/2015	g	No Money for Class
300100	Trevor Edwards	\$ 1,225,000.00		7/13/2015	k	No Money for Class
300058	Blackstone Aerial Spraying	\$ 6,300.00		3/24/2015	k	No Money for Class
300089	Hartley Flying Service, Inc.	\$ 14,139.75		4/11/2015	k	No Money for Class