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1 ADAM PAUL LAXALT
Attorney General
2 Joanna N. Grigoriev
Deputy Attorney General
3 Nevada Bar No. 5649
555 E. Washington Ave., #3900
4 Telephone: (702) 486-3101
Facsimile: (702) 486-3416
5 Las Vegas, NV 89101
jgrigoriev@ag.nv.gov

6 *Attorneys for the Commissioner of Insurance*
7 *as Statutory Receiver*

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 AVAIATION INSURANCE
16 RECIPROCAL, a Nevada Domiciled Reciprocal
Captive Insurance Company,

17 Defendant.

Case No. A-700829
Dept. No. XXIV

19 **FINAL STATUS REPORT AND MOTION FOR ORDER APPROVING DISTRIBUTION OF**
20 **ESTATE ASSETS**

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 FINAL STATUS REPORT AND MOTION TO APPROVE DISTRIBUTION OF ESTATE
25 ASSETS in the above-captioned receivership.

27 _____
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 **NOTICE OF MOTION**

2 Please take notice that the undersigned will bring the above and foregoing Finals Status Report
3 and Motion to Approve distribution of Estate Assets on for hearing before this Court at the courtroom
4 of the above-entitled Court on the 20 day of June, 2017, at the hour of 9:00am or as soon
5 thereafter as counsel can be heard.

6 DATED: May 16, 2017.

7
8 ADAM PAUL LAXALT
ATTORNEY GENERAL

9
10 By: /s/ Joanna N. Grigoriev
JOANNA N. GRIGORIEV
11 Senior Deputy Attorney General

12
13 **I. INTRODUCTION AND HISTORICAL BACKGROUND**

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

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

25 On June 2, 2014, Receiver of PAIR retained David E. Wilson and Regulatory Services Group
26 (“RSG”) as Receivership Manager. The Receivership Manager was authorized to retain the services of
27 Scott Pearce of RSG as his Receivership Supervisor. As provided for by the Permanent Receivership
28 Order, the Receiver and Receivership Manager are authorized to conduct the business of PAIR and to

1 administer its affairs for the protection of all secured creditors, insureds, policyholders, and general
2 creditors.

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

6 **II. RECEIVERSHIP ADMINISTRATION**

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

8 The Receivership Manager provided notice of the receivership proceeding to all known
9 interested parties, and periodically addresses inquiries from interested parties or claimants of the
10 receivership and pending liquidation of PAIR. Additionally, the Regulatory Services Group website is
11 periodically updated with any material developments and information as well as links to view and
12 obtain copies of the permanent receivership order and any subsequent pleadings filed in the PAIR
13 receivership.

14 **B. Policyholder Related Claims**

15 The claims bar date for the Proof of Claim process was 7/31/2015. All claims have been
16 received and evaluated by the Receivership Manager. Policyholder liability has been determined by the
17 Receivership Manager of the submitted claims through the Proof of Claim process. Accompanying this
18 filing is a claims listing pursuant to the requirements of NRS 696B.330(6). Only four claims are now
19 being considered as policyholder claims. All four claims are now resolved and approved, with the last
20 approval letter being mailed to O'Brien Flying Services on January 19, 2017. Given that the approved
21 policyholder claims are \$698,613 with projected total assets at closure expected to be approximately
22 \$380,000, policyholder claims exceed total assets available. Thus, no claims below the policyholder
23 class will be evaluated or considered. (NRS 696B.330(4))

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

25 The Proof of Claim process produced 6 asserted General Creditor category claims which, per
26 analysis above, will not be considered. Additionally, after review we find there are three equity claims,
27 a lower priority than general creditor claims and will not be considered.
28

1 **D. Proof of Claim Process**

2 The Receivership Manager mailed Proof of Claims (“POC”) packets to all recognized potential
3 creditors of the Company in January 2015. Four claims were timely filed and there were not any
4 requests for late filing claims. We believe the four claims listed on Exhibit 1 represent the entire
5 population of claims. Due to insufficient assets to pay below the policyholder class of creditors, all
6 creditors in lower claim priority categories were notified that there are no assets available to pay their
7 class of claims.

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

10 **E. Reinsurance**

11 Under the 2013 treaty, approved claims are recoverable from London reinsurers in the amount
12 of \$680,000 in excess of a \$350,000 retention per aircraft. One claim, O’Brien Flying Services, Inc.,
13 was recently approved for \$400,000.00. Thus, reinsurers will owe PAIR \$50,000.00 in loss recoveries.
14 However, PAIR owes reinsurers the 4th quarter 2013 premium deposit of \$62,500.00 which will be
15 offset against reinsurance recoveries resulting in a net balance due reinsurers of \$12,500.00.

16 **F. Records and Assets Control**

17 The Receivership Manager has possession of all of PAIR’s known books and records, both
18 tangible and electronic.

19 **G. Financial Analysis**

20 As of March 31, 2017 PAIR’s Wells Fargo bank account had a balance of \$338,884.44.
21 Additionally, the Receivership Manager holds a \$50,000 retainer. As noted above, PAIR will not
22 recover any reinsurance on the O’Brien Flying Services claim as the reinsurers are due premiums that
23 exceed the reinsurance loss. Through March 31, 2017 the Receivership Manager has incurred
24 \$133,180 in administration expenses. Considering the current cash assets less administrative expenses
25 PAIR has total potential assets of approximately \$380,000 at March 31, 2017. At March 31, 2017
26 PAIR has policyholder liabilities believed to be in excess of total assets.

1 **H. Final Distribution and Closing Reserve**

2 Now that the Receivership Manager has concluded all policyholder claim determinations, the
3 estate is seeking court approval to distribute PAIR's remaining assets in accordance with NRS
4 696B.420.

5 The Receivership Manager proposes to complete a 51.5% pro-rata distribution to class b
6 (policyholder class of creditor) for a total of approximately \$360,000. The Receivership Manager
7 proposes to reserve \$20,000 to pay Administrative Expenses which include destruction of records, final
8 audit expenses, final tax preparation, and a small reserve for indirect expenses.

9 **III. CONCLUSION**

10 In compliance with NRS 696B.290(7), the Receivership Manager submits the aforementioned
11 report and respectfully requests that this Court approve this FINAL STATUS REPORT AND GRANT
12 RECEIVER'S MOTION TO APPROVE DISTRIBUTION OF ESTATE ASSETS and the actions of
13 the Receiver and Receivership Manager.

14 DATED: May 15, 2017

15 Respectfully submitted:

16 Barbara Richardson, Commissioner of Insurance
17 of the State of Nevada, in her Official Capacity as
Statutory Receiver of Delinquent Domestic Insurers

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

21 Respectfully submitted by:

22 ADAM PAUL LAXALT
23 Attorney General

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

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I electronically filed the foregoing **FINAL STATUS REPORT AND**
3 **MOTION FOR ORDER APPROVING DISTRIBUTION OF ESTATE ASSETS** via the electronic
4 filing system on the 16th day of May, 2017 and that is was served via US Mail addressed as follows:

5 Benny White Flying Service
6 c/o H. Grady Terrill, Esq.
7 9816 Slide Rd, Ste 201
8 Lubbock, TX 79424

Headwaters Flying Service
Attn: Cody Folkvord
P.O. Box 951
Three Forks, MT 59752

8 Steier Ag Aviation
9 c/o Scott G. Buchanan, Esq.
10 Buchanan, Bibler, Gabor, & Meis
11 P.O. Box 617
12 Algona, IA 50511

Brett P. Clark, Esq.
Crowley Fleck PLLP
P.O. Box 797
Helena, MT 59601

11 O'Brien Flying Service
12 c/o Phillip W. DeVilbiss, Esq.
13 901 Lakeshore Dr., Ste 900
14 Lake Charles, LA 70601

Morris, Manning & Martin, LLP
Attn: Robert H. Myers, Esq.
1600 Atlanta Financial Center
3343 Peachtree Road, NE
Atlanta, GA 30326

14 Blackstone Aerial Spraying
15 Attn: Barry Blackstone
16 422 Hwy 14
17 Superior, NE 68978

Hartley Flying Service, Inc.
Attn: Marcus Todd Hartley
1408 Military Road, P.O. Box 246
Stuttgart, AR 72160

16 Lloyd's Underwriter Synd No. 2010 MMX
17 Cathedral Underwriting Limited
18 29th Floor-20 Fenchurch St
19 London, EC3M3BY
20 United Kingdom

XL RE Europe Limited
XL House
78 Stephen's Green
Dublin, 2
Ireland

19 Atrium Aviation Re Consortium, No. 9563
20 Lloyd's Building
21 1 Lime Street
22 London, EC3M7DQ
23 United Kingdom

Risk Services, LLC
Attn: Teresa Matthews
1605 Main Street, Suite 800
Sarasota, FL 34236

22 Tarheel Turbines
23 840 N. Main Street
24 Norwood, NC 28128

Trevor Edwards
5 Canyon Crest Court
Wichita, TX 76309

24 Constance Akridge, Esq.
25 Holland & Hart, LLP
26 9555 Hillwood Drive, 2nd Floor

Hannover Ruckversicherung
Aktien Karl-Wiechert-Allee 50
30625 Hannover, Germany

27 /s/ Marilyn Millam

28 An employee of the Office of the Attorney General

EXHIBIT A

EXHIBIT A

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

05/09/17

POC No.	Claimant Name	Claimed Amount	Approved Amount	Denied Amount	Priority	Status
300059	Benny White Flying Service	\$ 101,706.83	\$80,082.95	\$21,623.88	b	Approved
300064	Headwaters Flying Service	\$ 0.00	\$0.00	\$0.00	b	Denied
300070	STEIER AG AVIATION, INC.	\$ 216,122.01	\$189,863.68	\$26,258.33	b	Approved
300074	O'Brien Flying Service	\$ 1,528,422.23	\$400,000.00	\$1,128,422.23	b	Approved
300034	Morris, Manning & Martin, LLP Attn: Robert H.Myers, Jr. Esq	\$ 11,642.76	\$28,666.78	\$0.00	b	Approved
			\$698,613.41	\$1,176,304.44		
300105	Risk Services, LLC	\$ 11,965.14			g	No Money for Class
300106	LLOYD'S UNDERWRITER SYND NO. 2010 MMX	\$ 26,137.50			g	No Money for Class
300107	ATRIUM AVIATION RE CONSORTIUM, NO. 9563	\$ 8,712.50			g	No Money for Class
300108	XL RE EUROPE LIMITED	\$ 26,137.50			g	No Money for Class
300109	HANNOVER RUCKVERSICHERUNG AKTIEN	\$ 16,875.00			g	No Money for Class
300024	Tarheel Turbines	\$ 5,180.00			g	No Money for Class
300100	Trevor Edwards	\$ 1,225,000.00			k	No Money for Class
300058	Blackstone Aerial Spraying	\$ 6,300.00			k	No Money for Class
300089	Hartley Flying Service, Inc.	\$ 14,139.75			k	No Money for Class

300059 Benny White Flying Service
 300070 STEIER AG AVIATION, INC.
 300074 O'Brien Flying Service
 300034 Morris, Manning & Martin, LLP Attn: Robert H.Myers, Jr. Esq