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11 *Attorney for Petitioner*

12 IN THE SECOND JUDICIAL DISTRICT COURT OF  
13 THE STATE OF NEVADA IN AND FOR THE COUNTY OF WASHOE

14 STATE OF NEVADA, EX REL.  
15 COMMISSIONER OF INSURANCE, IN HER  
16 OFFICIAL CAPACITY AS STATUTORY  
17 RECEIVER FOR DELINQUENT DOMESTIC  
18 INSURER,

19 Petitioner,

20 vs.

21 PHYSICIANS INDEMNITY RISK  
22 RETENTION GROUP, INC., a Nevada  
23 Domiciled Association Captive Insurance  
24 Company,

25 Respondent.

Case No. CV20-00496

Dept. No. 1

**FOURTEENTH STATUS REPORT**

26 COME NOW, the Commissioner of Insurance (the “Commissioner”) for the State of Nevada<sup>1</sup> as  
27 Permanent Receiver of Physicians Indemnity Risk Retention Group, Inc., (“PIRRG” or the “Company”),  
28 and Regulatory Services Group (“RSG”) acting in the capacity of the duly appointed Special Deputy  
Receiver (“SDR”) of PIRRG and files this Fourteenth Status Report in the above-captioned receivership.

**I. INTRODUCTION AND HISTORICAL BACKGROUND**

PIRRG was an incorporated association formed as a captive insurance company organized under the insurance laws of the State of Nevada and the Liability Risk Retention Act of 1986. In accordance

<sup>1</sup> Barbara D. Richardson resigned from her position as Commissioner of Insurance effective December 30, 2022. Scott Kipper was named as the new Insurance Commissioner. Pursuant to NRCP 25(d), when a public officer ceases to hold office while an action is pending, “[t]he officer’s successor is automatically substituted as a party.”

1 with Chapter 694C of the Nevada Revised Statutes (NRS), PIRRG operated as a risk retention group as  
2 defined by NRS 694C.141. PIRRG was domiciled in the State of Nevada and received its initial  
3 Certificate of Authority on July 28, 2006. PIRRG received an amended Certificate of Authority on  
4 February 8, 2018 thereby updating its statutory home office to Reno, Nevada. As a risk retention group,  
5 PIRRG wrote professional liability insurance to physicians and their medical groups under claims-  
6 made indemnity policies.

7 On July 22, 2019 the Commissioner determined PIRRG was operating in a hazardous  
8 financial condition and notified PIRRG of the regulatory impairment. PIRRG submitted three  
9 proposed Corrective Action Plans between May and September of 2019, all were reviewed by the  
10 Nevada Division of Insurance and thereafter deemed insufficient to address and resolve the RBC and  
11 financial impairment of the risk retention group to the satisfaction of the Commissioner and her  
12 regulatory staff. On March 6, 2020 PIRRG submitted an unsigned financial report indicating it was  
13 insolvent pursuant to NRS 696B.110. The foregoing facts associated with PIRRG's financial  
14 impairment constituted sufficient grounds for a formal delinquency proceeding pursuant to NRS  
15 696B.210 and NRS 696B.220.

16 On March 12, 2020, the Commissioner petitioned this Court pursuant to NRS 696B.250 to seek  
17 her appointment as Receiver of PIRRG and thereafter on March 19, 2020, this Court granted injunctive  
18 relief and appointed the Commissioner as Temporary Receiver and issued an order, pursuant to NRS  
19 696B.250(2) and further directing PIRRG to appear in court and show cause why the Commissioner's  
20 petition should not be granted.

21 On April 2, 2020 the Nevada Insurance Commissioner, in her court-appointed capacity as  
22 Temporary Receiver of PIRRG, retained the services of Regulatory Services Group to act as the Special  
23 Deputy Receiver for PIRRG. Regulatory Services Group ("RSG" or "Special Deputy Receiver" or  
24 "SDR") is vested with all the rights, duties and authority of the Temporary Receiver, subject to the  
25 supervision of the Nevada Insurance Commissioner as Temporary Receiver and of this Court.

26 On March 29, 2022, this Court entered an Order of Permanent Receivership ("Permanent  
27 Receivership Order") and an Order Granting Motion for Liquidation ("Liquidation Order").  
28

1 On August 1, 2022, this Court entered an Order establishing the claims filing procedure in this  
2 matter and setting the claims filing deadline for December 1, 2022 (“Claims Order”).

3 On January 27, 2023, this Court entered an order granting PIRRG’s Motion for Good Faith  
4 Settlement approving a commutation agreement between PIRRG and its London based reinsurers.

5 On December 11, 2023 the Receiver filed a Motion to Resolve Appeals Regarding Proof of  
6 Claims Nos. 90676 and 90905.

7 On February 21, 2024, this Court held a hearing to consider the Receiver’s Motion to Resolve  
8 Appeals Regarding Proof of Clams Nos. 90676 and 90905.

9 On March 8, 2024 this Court entered an Order Granting Receiver’s Motion to Resolve Appeals  
10 Regarding Proof of Claims 90676 and 90905.

11 In accordance with Nevada Rules of Appellate Procedure, the appeal period is 30 days after the  
12 date of the Notice of Entry of an order, which notice was entered on March 11, 2024. Both Proof of  
13 Claim appeal periods lapsed on April 10, 2024 .

## 14 **II. RECEIVERSHIP ADMINISTRATION**

### 15 **A. Notices of Developments in Receivership**

16 In accordance with this Court’s Claims Order, PIRRG’s claims filing deadline was December 1,  
17 2022. Upon entry of the August 1, 2022 Claims Order, the SDR mailed 1,069 notices to all known  
18 members, insureds, claimants, vendors, employees, investors, and state/regulatory agencies who may  
19 have an interest in PIRRG. In addition to the mailing, notices were also issued upon request and where  
20 appropriate Proof of Claim (“POC”) forms were provided to interested parties on or before the December  
21 1, 2022 bar-date. Finally, in accordance with the entry of the court’s permanent receivership order, the  
22 SDR published notice of the permanent receivership and liquidation proceeding as well as the POC  
23 deadline in three newspapers ranging from regional to national circulation.

24 The Permanent Receivership Order and Liquidation Order as well as all subsequent orders entered  
25 by this Court are available for review on the RSG website.

### 26 **B. PIRRG Policies**

27 As a result of the Permanent Receivership Order, all primary in-force malpractice  
28 insurance has now lapsed.

1           **C.     Policyholder Related Claims**

2           As of the December 1, 2022 claims bar-date, the SDR received 63 POCs from PIRRG claimants  
3 and creditors who have asserted claims totaling approximately \$4,059,183.75. As a result of conducting  
4 a secondary physical review of all timely received hard-copy POCs mailed to the offices of the SDR,  
5 three (3) additional POCs were deemed to be properly received and will be included as approved policy-  
6 related claims. Based on the SDR’s final review, there are a total of twelve (12) Class B POCs that have  
7 a total claimed amount of \$1,808,876.57.<sup>2</sup> In prior status filings the SDR has reported 11 approved POCs,  
8 and has subsequently divided one approved POC into two separate approved POCs, one for payment of  
9 policy benefits the second for payment of legal fees.

10           As of this report, the SDR has approved all twelve Class B claims for a total of \$1,490,849.94.  
11 This represents the entire approved Class B claim population. Pursuant to NRS 696B.450(1) contingent  
12 and unliquidated claims do not share in the distribution unless certain exceptions are met. As reported  
13 in our prior status filing and out of an abundance of caution, the SDR contacted the claimants that  
14 submitted timely but unliquidated claims and provided them until September 1, 2023, to provide  
15 additional information in support of the same.

16           In addition to the twelve approved Class B claims, the SDR has issued 52 “No Assets” letters to  
17 the remaining claimants who submitted timely proofs of claim. The 52 claimants fall into Classes C, G,  
18 K and L for a total claimed amount of \$1,857,009. Given the limited remaining assets held by the estate,  
19 the SDR will forego any administrative expense to review and determine POCs that fall below the Class  
20 B priority pursuant to NRS 696B.330(4)<sup>3</sup>. All such creditors have been provided a notice of insufficient

21 \_\_\_\_\_  
22 <sup>2</sup> NRS 696B.420 dictates the priority for payment of claims. “Class B” claims are defined as “[a]ll claims under  
23 policies, any claims against an insured for liability for bodily injury or for injury to or destruction of tangible  
24 property which are covered claims under policies, including any such claims of the Federal Government or any  
25 state or local government, and any claims of the Nevada Insurance Guaranty Association, the Nevada Life and  
26 Health Insurance Guaranty Association and other similar statutory organizations in other jurisdictions. Any claims  
27 under life insurance and annuity policies, whether for death proceeds, annuity proceeds or investment values, must  
28 be treated as loss claims. That portion of any loss for which indemnification is provided by other benefits or  
advantages recovered or recoverable by the claimant may not be included in this class, other than benefits or  
advantages recovered or recoverable in discharge of familial obligations of support or because of succession at  
death or as proceeds of life insurance, or as gratuities. No payment made by an employer to an employee of the  
employer may be treated as a gratuity.” NRS 696B.420(1)(b).

<sup>3</sup> NRS 696B.330(4) specifies that “(t)he receiver is not required to process any claims in a class until it appears  
that assets will be available for distribution to that class. If there are insufficient assets to process claims for a class,

1 funds to pay their class of claim as NRS 696B.420 requires that each claim in each creditor class must  
2 be paid in full before members of the next class receive any payment. All 52 “No Asset” letters were  
3 mailed on September 20, 2023 and the recipients had 60 days to appeal. The SDR received two timely  
4 submitted appeals by two claimants and was unable to resolve the appeals amicably. As such the SDR  
5 filed a motion with this court on December 11, 2023 seeking a hearing for the resolution of the two  
6 disputed POCs in accordance with NRS 696B.330(8). The balance of POCs that received “No Assets”  
7 letters and did not timely submit an appeal by November 30, 2023 are now deemed rejected and closed.

8 On February 21, 2023 this Court held a hearing to consider the Receiver’s Motion to Resolve  
9 Appeals Regarding Proof of Claim Nos. 90676 and 90905. After hearing arguments from the opposing  
10 party associated with POC 90905 and legal counsel for the PIRRG estate, on March 8, 2024 the Court  
11 entered its Order Granting Receiver’s Motion to Resolve Appeals Regarding Proof of Claims 90676 and  
12 90905. The Court’s order approved the SDR’s determinations of both contested POCs in their entirety.

13 As of March 31, 2024, PIRRG reported \$1,490,849 in approved policy liability.<sup>4</sup> The final  
14 approved Class B claim liability has been determined through the completion of the court-approved POC  
15 procedure, as well as the Court’s March 8, 2024 order related to the two POC appeals received by PIRRG.  
16 The SDR has notified all 12 Class B claimants of their approved claim. PIRRG’s approved policy claims  
17 are not covered by any insurance guaranty statutes and the estate must rely on the remaining cash assets  
18 to address this approved policy related liability and pay a portion of all twelve approved Class B policy  
19 claims.

20 **D. Records/ Asset Control and Recovery**

21 The SDR remains in control of all PIRRG bank accounts, and PIRRG’s records are maintained  
22 in electronic format at the offices of the SDR in San Francisco, California (including legacy records held by its  
23 former captive manager Strategic Risk Solutions). The SDR relied upon policy administration system  
24 records, open claim records and documentation provided by claimants to support and complete the POC  
25 determinations. It is the SDR’s intent to seek court authority to release a final distribution of PIRRG’s

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26  
27 the receiver shall notify the court and may make a recommendation to the court for the processing of any such  
claims.”

28 <sup>4</sup> These numbers reflect all approved Class B policy liability based on netting reinsurance and eliminating  
previously reported unearned premium which is classified as a Class C priority.

1 available assets and thereafter destroy all estate hardcopy records, and discontinue any further records  
2 administration for the PIRRG estate.

3 The SDR has considered the costs and merits of pursuing claims asserted pre-receivership by  
4 PIRRG against two AON entities in Washoe County, in Case No. CV-19-01563. The SDR is concerned  
5 about the expenses of litigation and is working to bring the matter to a conclusion without further material  
6 expense, and in conjunction with the remaining requirements to close the estate.

#### 7 **E. Financial Analysis & Distribution**

8 Since the entry of the March 29, 2022 Permanent Receivership and Liquidation Orders, PIRRG's  
9 financial statements reflect the Liquidator's best estimate of the value of assets and liabilities of PIRRG  
10 at this time using a liquidation basis for accounting. As of March 31, 2024, PIRRG's liabilities  
11 exceed its assets by \$2,543,458 as PIRRG has reported assets of \$804,400 and liabilities of  
12 \$3,347,858.<sup>5</sup> PIRRG's current cash and short-term investments as of March 31, 2024, total \$800,400  
13 which is comprised of accrued investment income of \$4,300 and a PIRRG Pool balance of \$800,100.  
14 With the settlement proceeds collected from the reinsurers and the estate's determination of all timely  
15 received Class B POCs the SDR will seek authority in accordance with NRS 696B.420 (1)(a)(b) to release  
16 a distribution of available estate assets to 12 approved Class B claimants as well as paying administrative  
17 expenses necessary to facilitate the closure of the receivership estate.

#### 18 **F. Third-Party Support and Receivership Expenses.**

19 The Receiver and the SDR continue to work with the law firm of Greenberg  
20 Traurig LLP ("Greenberg Traurig"), as estate counsel in this receivership matter.

21 On August 1, 2022, the Court entered an order approving professional rates and expenses and  
22 establishing a process for the review of professional expenses moving forward. In furtherance of the  
23 same, attached hereto as **Exhibit B** is an income statement for the period of January 1, 2024 through  
24 March 31, 2024 which summarizes expenses for the reporting period as well as an operating expense  
25 summary. Submitted under seal for in camera review<sup>6</sup> are **Exhibit C** and **Exhibit D** which are the billing

26 <sup>5</sup> Attached hereto as **Exhibit A**, is a copy of PIRRG's Liquidation Balance Sheet as of March 31, 2024.

27 <sup>6</sup> The *in camera* materials provided in **Exhibit C** and **Exhibit D**, are being submitted under seal and reflect paid  
28 invoices. Certain billings submitted to the Court are appropriate for *in camera* review (as opposed to being made  
part of a public filing). In this regard, courts have held that the bills of legal counsel and experts may be withheld  
from legal discovery and are not subject to legal disclosure, as this information may provide indications or context

1 entries and associated payments made during the reporting period.<sup>7</sup>

2 **G. Anticipated Next Steps and Closing**

3 The PIRRG estate has monetized all known assets and the SDR has finalized the determination  
4 of all timely received proofs of claim and has approved twelve Class B policyholder-related liability  
5 claims for a total of \$1,490,849. All claimant appeal rights have been addressed and or lapsed. The SDR  
6 has sent notices to all claimants advising of their approval or rejection for their timely received POCs.  
7 Given the limited assets held by the SDR, creditors with claims classified as Class C - J received letters  
8 advising them their creditor class will not be considered due to insufficient estate assets.

9 Prior to the next reporting period, the Receiver anticipates filing a motion seeking court  
10 approval of a distribution plan and closure of the receivership estate.

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18 \_\_\_\_\_  
19 concerning potential litigation strategy and the nature of the expert services being provided. *See, e.g., Avnet, Inc.*  
20 *v. Avana Technologies Inc.*, No. 2:13-cv-00929- GMN-PAL, 2014 WL 6882345, at \*1 (D. Nev. Dec. 4, 2014)  
21 (finding that billing entries were privileged because they reveal a party’s strategy and the nature of services  
22 provided); *Fed. Sav. & Loan Ins. Corp. v. Ferm*, 909 F.2d 372, 374-75 (9th Cir. 1990) (considering whether or not  
23 fee information revealed counsel’s mental impressions concerning litigation strategy). Other courts that have  
24 addressed this issue have recognized that the “attorney-client privilege embraces attorney time, records and  
25 statements to the extent that they reveal litigation strategy and the nature of the services provided.” *Real v. Cont’l*  
26 *Grp., Inc.*, 116 F.R.D. 211, 213 (N.D. Cal. 1986).

27 The *in-camera* review should apply not only to documentation concerning attorney fees, but it also extends  
28 to “details of work revealed in [an] expert’s work description [which] would relate to tasks for which she [or he]  
was compensated[.]” a situation which is “analogous to protecting attorney-client privileged information contained  
in counsel’s bills describing work performed.” *See DaVita Healthcare Partners, Inc. v. United States*, 128 Fed.  
Cl. 584, 592-93 (2016); *see also Chaudhry v. Gallerizzo*, 174 F.3d 394, 402 (4th Cir. 1999) (recognizing that  
“correspondence, bills, ledgers, statements, and time records which also reveal the motive of the client in seeking  
representation, litigation strategy, or the specific nature of the services provided, such as researching particular  
areas of law,” are protected from disclosure) (quoting *Clarke v. Am. Commerce Nat’l Bank*, 974 F.2d 127, 129 (9th  
Cir. 1992)).

<sup>7</sup> The fees requested herein for RSG are for December 2023 and January 2024. The fees requested for Greenberg  
Taurig are for January and February 2024. These invoices were previously submitted directly to the Commissioner  
for approval and were paid during the reporting period.

1 **CONCLUSION**

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

4 DATED this 6<sup>th</sup> day of May, 2024.

5 Respectfully submitted:

6 Scott Kipper, Commissioner of Insurance  
7 of the State of Nevada, in her Official Capacity as  
8 Statutory Receiver of Delinquent Domestic Insurers

9 By: /s/ Joe Holloway  
10 Joe Holloway  
11 Special Deputy Receiver

12 Respectfully submitted:

13 By: /s/ Kara B. Hendricks  
14 MARK E. FERRARIO, Bar No. 1625  
15 KARA B. HENDRICKS, Bar No. 7743  
16 GREENBERG TRAUIG, LLP  
17 10845 Griffith Peak Drive, Suite 600  
18 Las Vegas, Nevada 89135

19 *Attorneys for Petitioner*

20 **AFFIRMATION**

21 **(Pursuant to NRS 239B.030)**

22 The undersigned does hereby affirm that the preceding document does not contain the social  
23 security number of any person.

24 DATED this 6<sup>th</sup> day of May, 2024.

25 By: /s/ Kara B. Hendricks  
26 MARK E. FERRARIO, Bar No. 1625  
27 KARA B. HENDRICKS, Bar No. 7743  
28 GREENBERG TRAUIG, LLP  
10845 Griffith Peak Drive, Suite 600  
Las Vegas, Nevada 89135

*Attorneys for Petitioner*



1 **CERTIFICATE OF SERVICE**

2 I certify that I am an employee of the law firm of Greenberg Traurig, and that on the 6<sup>th</sup> day of  
3 May 2024, I filed the foregoing *Fourteenth Status Report* via this Court’s electronic filing system.  
4 Parties are registered with this Court’s EFS and will be served electronically.

5 Vernon E. (“Gene”) Leverty, Esq.  
6 Attorney for Physicians Indemnity Risk Retention Group, Inc.  
7 832 Willow Street  
8 Reno, Nevada 89502  
9 [gene@levertylaw.com](mailto:gene@levertylaw.com)

10 */s/ Andrea Lee Rosehill* \_\_\_\_\_

**INDEX TO EXHIBITS**

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<b>Exhibit</b>	<b>Description</b>	<b>Number of Pages</b>
A	PIRRG’s Q-1 Liquidation Balance Sheet & Notes to Financial Statement	3
B	PIRRG’s Q-1 Income & Expenses	2
C	RSG’s Invoices – <i>filed under seal for in camera review</i>	28
D	GT’s Invoices – <i>filed under seal for in camera review</i>	12

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# EXHIBIT A

PIRRG's Q-1 Liquid Balance Sheet & Notes to Financial Statement

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## 484 Physicians Indemnity Risk Retention Group

### STATEMENT OF ASSETS AND LIABILITIES

As of March 31, 2024

	Mar 31	
	<b>2024A</b>	
<b>ASSETS</b>		
Cash and cash equivalents:		
Unrestricted		
Participation in pooled investments, at market	\$	800,100
Accrued investment income		4,300
Recoverable from reinsurers		-
Receivable from affiliates		-
<b>Total Available Assets</b>		<b>804,400</b>
<b>LIABILITIES</b>		
Class B Approved Policyholder Claims		1,490,849 (Note 1)
Class C Unearned Premium Claims(not adjudicated)		97,512 (Note 2)
Class G General Creditor Claims (not adjudicated)		1,069,199 (Note 2)
Classes K&L Shareholder's Claims (not adjudicated)		690,298 (Note 2)
<b>Total Estimated Liabilities</b>		<b>3,347,858</b>
<b>NET ASSETS (DEFICIENCY)</b>	\$	<b>(2,543,458)</b>

Physicians Indemnity Risk Retention Group, Inc.  
Notes to Financial Statements  
March 31, 2024

Introduction

On March 19, 2020 the Insurance Commissioner of the State of Nevada was appointed by the Second Judicial District Court of the State of Nevada as Temporary Receiver ("Receiver") of Physicians Indemnity Risk Retention Group, Inc. ("PIRRG") pursuant to NRS 696B.270(1) of the Nevada Revised Statutes. On April 2, 2020 pursuant to the authority granted the Receiver via the March 19th Receivership Order, the Receiver duly engaged Regulatory Services Group ("RSG") to act in the capacity of Receivership Manager and Special Deputy Receiver ("SDR"). Subsequent to year-end 2021, the Temporary Receiver has now been appointed Permanent Receiver and Liquidator as a result of the entry of an order for permanent receivership following a two day final show-cause hearing concluded in January 2022. The Nevada District Court (the Court) held a full day hearing on December 6, 2021 and a second full day hearing on January 14, 2022 to conduct the Order to Show Cause ("OSC") hearing to consider the merits of a permanent receivership. After submitting proposed orders to the Court on January 31, 2022 as instructed by the Judge, the Court entered a final ruling on March 28, 2022.

The March 31, 2024 balance sheet reflects the Liquidator's best estimate of the assets and liabilities of PIRRG at this time when accounted for using a liquidation basis of accounting. All liquidation basis assets must be able to be converted into cash in order to pay the approved claims of the insolvent estate. In addition, the cost to administer such assets must be accrued. The Liquidator will update the balance sheet as the investigation into account balances continues. The Liquidator agreed to a commutation settlement with the London Market reinsurers for a payment of \$725,000 which was received in the first quarter of 2023.

Note 1:

Net reserves for loss and loss adjustment expenses at March 31, 2024 reflect the amounts carried on the Company's books to pay all claims for benefits under PIRRG policies that have been approved by the Liquidator.

Note 2:

Class C unearned premium claims, Class G general creditor claims and Class K&L shareholder claims were not adjudicated due to the lack of assets being available to pay these classes of claims in accordance with Nevada Revised Statute NRS 696B.330(4).

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EXHIBIT B  
PIRRG's Q-1 Income & Expenses

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**Physicians Indemnity Risk Retention Group, Inc.**

**Income Statement**

**01/01/2024 - 03/31/2024**

**INCOME**

Investment Income	\$ 5,916.84
Reinsurance Recoverable	<u>0.00</u>

TOTAL INCOME 5,916.84

**EXPENSES**

Regulatory Services Group Fees	5,562.50
Legal Fees	5,608.50
Tax Consulting & Compliance	3,600.00
Postage	<u>22.23</u>

TOTAL EXPENSES 14,793.23

**NET GAIN (LOSS) FOR THE PERIOD** \$ (8,876.39)