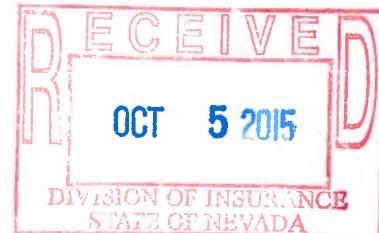


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10 IN THE SECOND JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA
11 IN AND FOR THE COUNTY OF WASHOE

12 STATE OF NEVADA, EX REL.) Case No. CV14-00807
13 COMMISSIONER OF INSURANCE, IN HIS)
14 OFFICIAL CAPACITY AS STATUTORY) Dept. No. B13
15 RECEIVER FOR DELINQUENT DOMESTIC)
16 INSURER,)
17 Plaintiff,)
18 vs.)
19 NATIONAL GUARANTY INSURANCE)
20 COMPANY, a Nevada Domiciled Property and)
21 Casualty Company,)
22 Defendant)

23 SIXTH STATUS REPORT

24 Amy L. Parks, Acting Commissioner of Insurance (the "Commissioner") for the State of
25 Nevada, in her capacity as Permanent Receiver of National Guaranty Insurance Company
26 ("NGIC" or the "Company"), and Regulatory Services Group ("RSG"), Receivership Manager
of NGIC, file this Sixth Status Report in the above-captioned receivership.

27 **INTRODUCTION AND HISTORICAL BACKGROUND**

28 NGIC is a Property and Casualty Company organized under the Nevada Insurance
29

1 laws. The company is a stock insurer as defined in Nevada Revised Statutes
2 ("NRS") 694C.150. The company received its Certificate of Authority on July 26, 2013, after
3 re-domesticating from Arizona.

4 On May 6, 2014, the Nevada Insurance Commissioner was appointed as interim
5 Receiver of NGIC by the Second Judicial District Court of the State of Nevada. David E.
6 Wilson and Regulatory Services Group were retained as Receivership Manager. The
7 Receivership Manager was authorized to retain the services of Joseph B. Holloway, Jr. of INS
8 Consultants, Inc. as his Receivership Supervisor. As provided for by the Receivership Order,
9 the Receiver and Receivership Manager are authorized to conduct the business of NGIC and
10 to administer its affairs for the protection of all secured creditors, insureds, policyholders, and
11 general creditors.

12 On June 12, 2014, the Court appointed the Nevada Insurance Commissioner
13 as Permanent Receiver of NGIC and an order of liquidation was issued. The Permanent
14 Receivership and Liquidation Order found NGIC to be insolvent and ordered NGIC liquidated
15 pursuant to Chapter 696B of NRS.

16 Amy L. Parks, Esq., was appointed to serve as Acting Nevada Commissioner
17 of Insurance upon the July 2, 2015, resignation of Nevada Insurance Commissioner Scott J.
18 Kipper.

19 RECEIVERSHIP ADMINISTRATION

20 A. Motion to Modify the Claims Process

21 On October 23, 2014, Receiver filed a Motion to Modify the Claims Process Per
22 Recommendation of Receiver Pursuant to NRS 696B.330(4). The hearing on the motion to
23 modify the claims process was held on January 26, 2015. The Receiver was seeking to forego
24 the expense of implementing a proof of claim process beyond the administration class since
25 there are insufficient assets in the estate to pay claims below that level. Judge Robb agreed
26 and granted the motion on January 28, 2015.

27 B. Policyholder Related Claims

28 At liquidation, NGIC had in excess of 600 claims with stated loss reserves in excess of

1 \$6 million at the date of liquidation. The Receivership Manager has worked with the Nevada
2 Insurance Guaranty Association ("NIGA") to transfer electronic records to them in order for
3 NIGA to fulfill their statutory duties and pay these claims on behalf of NGIC. NIGA has paid
4 loss and LAE payments of \$4,975,523 and has outstanding loss and LAE reserves of
5 \$1,409,272 at June 30, 2015.

6 **C. Lindsay General Insurance Agency Bankruptcy**

7 NGIC has a \$5 million receivable on its books from Lindsay General Insurance Agency
8 ("Lindsay"), an affiliate. Lindsay filed for bankruptcy protection on February 7, 2013. NGIC
9 has filed a claim in the bankruptcy court for the \$5 million debt but is not likely to recover
10 a material amount. Lindsay is trying to re-organize and emerge from bankruptcy as an
11 insurance lead generation company. Their plan of re-organization has not been approved by
12 the Court, and the Receivership Manager continues to monitor the case. The Receivership
13 Manager will not actively pursue this claim due to the low probability of recovery and the cost
14 of litigation. NGIC has filed a claim in the bankruptcy and will await the submission and
15 approval of a plan of re-organization with the Bankruptcy Court. Any recovery, although highly
16 unlikely, will be distributed to the Nevada Insurance Guaranty Association.

17 **D. Preference Transactions**

18 The Receivership Manager has reviewed the transactions that occurred within one
19 year of the petition for the appointment of a receiver for NGIC in accordance with NRS
20 696B.412. The Receivership Manager has made a recommendation to the Nevada Attorney
21 General's Office to pursue a preference claim against the former President of NGIC for
22 expenses paid by the Company relating to the formation of a new insurance company, "Clarity
23 Insurance Company", being formed by the former President of NGIC. The total amount of the
24 preference payments that likely will be pursued is \$48,000. A formal demand will be made
25 prior to filing a lawsuit to recover these funds.

26 **E. Voidable Sale of Mortgage Loans**

27 The Receivership Manager has reviewed the transactions that occurred within four
28 months of the petition (and up to two years for officers and directors) for the appointment of
29

1 a receiver for NGIC in accordance with NRS 696B.410(1)&(2). The Receivership Manager
2 has made a recommendation to the Nevada Attorney General's Office to pursue a voidable
3 preference claim against the former President of NGIC for selling mortgage loans with
4 a statutory value of \$2,114,837 for \$900,000. On July 15, 2015, the Receivership Manager
5 sent a letter of inquiry to BBC Investments pertaining to their purchase of the mortgage loans
6 in question. Specifically, they were asked why they only paid \$900,000 of the \$1,000,000
7 purchase price. BBC Investments failed to respond to the inquiry. A certified letter was sent
8 to BBC Investments on August 30, 2015, and no reply has been received to date.

9 **F. Financial Analysis**

10 At June 30, 2015, NGIC had liquid assets of \$260,903 and liabilities of approximately
11 \$8,000,000. The Receiver incurred \$26,040 in administrative expenses during the first quarter
12 of 2015. Additionally, due to the lack of funds in NGIC, the Receivership Manager will attempt
13 to complete the remaining tasks by the end of the first quarter of 2016 and, at that point, will
14 ask for a closing order from the court.

15 The Receivership Manager had a cash receipts and disbursements review performed
16 by a third party for all amounts received and paid by the estate from the date of liquidation to
17 December 31, 2014. The review was performed to determine whether the receipts and
18 disbursements of the estate were properly supported and accounted for. No findings were
19 made in their report.

21 **CONCLUSION**

22 In compliance with the Court's instructions for a status report regarding the affairs
23 of the Company, the Receivership Manager has submitted the aforementioned report
24 and remains available to present further on any matters in this report as the Court may
25 deem necessary.

26 **AFFIRMATION**

27 Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding
28 document, *Status Report*, filed in case number CV14-00807, does not contain the personal
29

1 information of any person.

2 DATED: October 2, 2015

3 Respectfully submitted:

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

7 By: /s/ Joseph B Holloway, Jr
8 INS Consultants, Inc.
9 Regulatory Services Group
Receivership Supervisor

10 Respectfully submitted by:

11 ADAM PAUL LAXALT
12 Attorney General

13 By: /s/ Richard Paili Yien
14 RICHARD PAILI YIEN
15 Deputy Attorney General
16 Nevada Bar No. 13035
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18 Carson City, NV 89701
19 P: (775) 684-1129
20 Email: ryien@ag.nv.gov

CERTIFICATE OF SERVICE

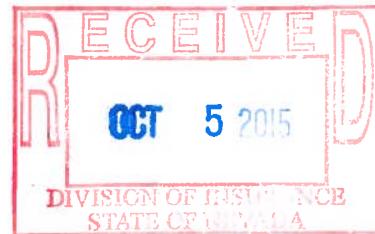
I hereby certify that I am an employee of the State of Nevada, Office of the Attorney General, and that on October 2, 2015, I electronically served a true and correct copy of the foregoing *STATUS REPORT*, at the email addresses listed below:

greerlaw@aol.com
Robert Greer, Deputy Receiver
Vista Consulting Group, Inc.
328 W. Valley Avenue
Birmingham, AL 35209

verbrug@doi.nv.gov
Amy L. Parks, Acting Commissioner of Insurance
Division of Insurance
c/o Terri Verbruggen
1818 E. College Parkway, Ste. 103
Carson City, NV 89706

/s/ Anne Goldy
An Employee of the
Office of the Attorney General

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12 Attorney for the Division of Insurance



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19 COMPANY, a Nevada Domiciled Property and)
20 Casualty Company,)
Defendant)

21 **AMENDED CERTIFICATE OF SERVICE**

22 I declare under penalty of perjury that the following assertions are true and correct. I
23 am employed at the Office of the Nevada Attorney General at whose direction the service was
24 made; I am a citizen of the United States; I am over the age of eighteen years; and I am not a
25 party to the within-titled action.

26 The original Certificate of Service for the Sixth Status Report (the "Report"), filed
27 October 2, 2015, incorrectly was served by electronic means upon Robert Greer and should
28 have been served by electronic means upon David Wilson. Additionally, Bruce Gilbert

1 inadvertently was omitted from the original Certificate of Service. A true and correct copy of
2 the Report now has been served electronically upon David Wilson at wilson@caclo.org and
3 upon Bruce Gilbert at bgilbert@niga-pc.org.

4 **AFFIRMATION**

5 Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding
6 document, *Amended Certificate of Service*, filed in case number CV14-00807, does not
7 contain the personal information of any person.

8 DATED: October 5, 2015

9
10 /s Anne Goldy
11 ANNE GOLDY
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CERTIFICATE OF SERVICE

I hereby certify that I am an employee of the State of Nevada, Office of the Attorney General, and that on October 5, 2015, I electronically served a true and correct copy of the foregoing *Amended Certificate of Service*, at the email addresses listed below:

wilsond@caclo.org
David E. Wilson
CEO, SDIC
Conservation and Liquidation Office
100 Pine Street, 26th Floor
San Francisco, CA 94111

bgilbert@niga-pc.org
Bruce W. Gilbert
Executive Director
Nevada Insurance Guaranty Association
3821 W. Charleston Blvd., Suite 100
Las Vegas, NV 89102-1859

verbrug@doi.nv.gov
Amy L. Parks, Acting Commissioner of Insurance
Division of Insurance
c/o Terri Verbruggen
1818 E. College Parkway, Ste. 103
Carson City, NV 89706

/s/ Anne Goldy
An Employee of the
Office of the Attorney General