

3835  
ADAM PAUL LAXALT  
Attorney General  
RICHARD PAILI YIEN  
Deputy Attorney General  
Nevada Bar No. 13035  
100 North Carson Street  
Carson City, NV 89701-4717  
(775) 684-1129  
(775)684-1156(fax)  
Email: [ryien@ag.nv.gov](mailto:ryien@ag.nv.gov)  
*Attorney for the Division of Insurance*

F I L E D  
Electronically  
CV14-00807  
2016-10-11 11:08:15 AM  
Jacqueline Bryant  
Clerk of the Court  
Transaction # 5750652 : tbrutton

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

STATE OF NEVADA, EX REL. ) Case No. CV14-00807  
COMMISSIONER OF INSURANCE, IN HER )  
OFFICIAL CAPACITY AS STATUTORY ) Dept. No. B13  
RECEIVER FOR DELINQUENT DOMESTIC )  
INSURER, )  
 )  
Plaintiff, )  
 )  
 )  
vs. )  
 )  
 )  
NATIONAL GUARANTY INSURANCE )  
COMPANY, a Nevada Domiciled Property and )  
Casualty Company, )  
 )  
Defendant )  
 )

## TENTH STATUS REPORT

Plaintiff State of Nevada *ex rel.* Commissioner of Insurance, Barbara D. Richardson (the "Commissioner"), for the State of Nevada in her capacity as Permanent Receiver of National Guaranty Insurance Company ("NGIC" or the "Company"), by and through her attorneys of record, Attorney General ADAM PAUL LAXALT and Deputy Attorney General RICHARD PAILI YIEN; and Regulatory Services Group ("RSG"), Receivership Manager of NGIC, file this Tenth Status Report in the above-captioned receivership.

## INTRODUCTION AND HISTORICAL BACKGROUND

NGIC is a Property and Casualty Company organized under the Nevada Insurance laws. The company is a stock insurer as defined in Nevada Revised Statutes ("NRS") 694C.150. The company received its Certificate of Authority on July 26, 2013, after re-domesticating from Arizona.

On May 6, 2014, the Nevada Insurance Commissioner was appointed as interim Receiver of NGIC by the Second Judicial District Court of the State of Nevada.

Former Insurance Commissioner, Scott J. Kipper, as Interim Receiver of NGIC, retained David E. Wilson and Regulatory Services Group as Receivership Manager. The Receivership Manager was authorized to retain the services of Joseph B. Holloway, Jr. of INS Consultants, Inc. as his Receivership Supervisor. As provided for by the Receivership Order, the Receiver and Receivership Manager are authorized to conduct the business of NGIC and to administer its affairs for the protection of all secured creditors, insureds, policyholders, and general creditors.

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

## RECEIVERSHIP ADMINISTRATION

## A. Motion to Modify the Claims Process

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

111

1                   **B. Policyholder Related Claims**

2                   At liquidation, NGIC had in excess of 600 claims with stated loss reserves in excess of  
3                   \$6 million at the date of liquidation. The Receivership Manager has worked with the Nevada  
4                   Insurance Guaranty Association ("NVIGA") to transfer electronic records to them in order for  
5                   NVIGA to fulfill their statutory duties and pay these claims on behalf of NGIC. NVIGA has  
6                   paid loss and LAE payments of \$5,709,261 and has outstanding loss and LAE reserves of  
7                   \$392,369 at June 30, 2016.

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

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

19                   **D. Preference Transactions**

20                  The Receivership Manager has reviewed the transactions that occurred within one year  
21                  of the petition for the appointment of a receiver for NGIC in accordance with NRS 696B.412.  
22                  The Receivership Manager has made a recommendation to the Nevada Attorney General's  
23                  Office to pursue a preference claim against the former President of NGIC for expenses paid  
24                  by the Company relating to the formation of a new insurance company, "Clarity Insurance  
25                  Company", being formed by the former President of NGIC. The total amount of the  
26                  preference payments that likely will be pursued is \$48,000. On March 29, 2016, a complaint  
27                  was filed to recover these funds. On June 23, 2016, Judge Robb conducted a hearing on a  
28

1 motion to recover the \$48,000 and ordered that jurisdiction was proper. Judge Robb gave  
2 counsel for the former President 20 days to file a substantive opposition to the motion. On  
3 August 9, 2016, after a noticed hearing, Judge Robb ordered the former President of NGIC to  
4 return the \$48,000 in question.

5 **E. Financial Analysis**

6 At June 30, 2016, NGIC had liquid assets of \$177,761 and liabilities of approximately  
7 \$8,000,000. The Receiver incurred \$8,471 in administrative expenses during the second  
8 quarter of 2016. Additionally, due to the lack of funds in NGIC, the Receivership Manager will  
9 attempt to complete the remaining tasks by the end of the fourth quarter of 2016 and ask for a  
10 closing order from the court at that point.

11 **F. CONCLUSION**

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

16     ///

17     ///

18     ///

19     ///

20     ///

21     ///

22     ///

23     ///

24     ///

25     ///

26     ///

27     ///

28

## **AFFIRMATION**

Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding document, *Tenth Status Report*, filed in case number CV14-00807, does not contain the personal information of any person.

DATED: October 11, 2016

Respectfully submitted:

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

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

Respectfully submitted by:

**ADAM PAUL LAXALT**  
**Attorney General**

By: /s/ Richard Paili Yien  
**RICHARD PAILI YIEN**  
Deputy Attorney General  
Nevada Bar No. 13035  
100 N. Carson St  
Carson City, NV 89701  
P: (775) 684-1129  
Email: [ryien@ag.nv.gov](mailto: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 this 11<sup>th</sup> day of October 2016, I electronically served a true and correct copy of the foregoing *Tenth Status Report* at the email addresses below:

wilsond@caclo.org

David E. Wilson  
CEO, SDIC  
Regulatory Services Group  
100 Pine Street, 26<sup>th</sup> Floor  
San Francisco, CA 94111

[bgilbert@nviga-pc.org](mailto:bgilbert@nviga-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](mailto:verbrug@doi.nv.gov)

Barbara D. Richardson  
Commissioner of Insurance  
Attn: Terri Verbrugghen  
1818 E. College Parkway, Ste. 103  
Carson, City, NV 89706

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