

CLERK OF THE COURT

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8           **IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**  
9           **CLARK COUNTY, NEVADA**

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

15          Plaintiff,

16          vs.

17          PROFESSIONAL AVIATION INSURANCE  
18          RECIPROCAL, a Nevada Domiciled  
19          Reciprocal Captive Insurance Company,  
20          Defendant.

Case No. A-700829-p

Dept. No. IV

21          **PROPOSED ORDER APPOINTING COMMISSIONER AS PERMANENT RECEIVER**  
22          **FOR PROFESSIONAL AVIATION INSURANCE RECIPROCAL, AND GRANTING OTHER**  
23          **PERMANENT RELIEF**

24          This matter came before the Court on the 26th day of June, 2014 on the Petition for  
25          Appointment of Commissioner as Receiver and Other Permanent Relief; Request for  
26          Injunction Pursuant to NRS 696B.270(1) by the Commissioner of Insurance, Scott J. Kipper, in  
27          his official capacity as Temporary Receiver of PROFESSIONAL AVIATION INSURANCE  
28          RECIPROCAL, ("PAIR") a Nevada Domiciled Reciprocal Captive Insurance Company  
hereinafter ("Insurer" or "Defendant").

1           The Court having reviewed the points and authorities submitted by counsel and exhibits  
2        in support thereof, and having heard arguments of counsel,

3           IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

4           (1)    Commissioner of Insurance, Scott J. Kipper, ("Commissioner"), should be, and is  
5        hereby, appointed Permanent Receiver ("Receiver") of Defendant PAIR and is hereby vested,  
6        in addition to the powers set forth herein, with all the powers and authority expressed or  
7        implied under the provisions of chapter 696B of the Nevada Revised Statute ("NRS"), and any  
8        other applicable law. Regulatory Services Group (RSG) under the direction of David E. Wilson  
9        is hereby appointed as Receivership Manager. The Receiver and Receivership Manager may  
10       do all acts necessary or appropriate for the conservation, rehabilitation, or liquidation of  
11       Defendant. Whenever this Order refers to the Receiver, it will equally apply to the  
12       Receivership Manager.

13           (2)    Pursuant to NRS 696B.290, the Receiver is hereby vested with exclusive title  
14        both legal and equitable to all of Defendant's assets, books, records, property, real and  
15        personal, including all property or ownership rights, choate or inchoate, whether legal or  
16        equitable of any kind or nature, including but not limited to all causes of action, defenses,  
17        letters of credit relating to the Defendant or its business, all stocks, bonds, cash, cash  
18        equivalents, contract rights, reinsurance contracts and reinsurance recoverables, in force  
19        insurance contracts and business, deeds, mortgages, leases, book entry deposits, bank  
20        deposits, certificates of deposit, evidences of indebtedness, bank accounts, securities of any  
21        kind or nature, both tangible and intangible, including but without being limited to any special,  
22        statutory or other deposits or accounts made by or for Defendant with any officer or agency of  
23        any state government or the federal government or with any banks, savings and loan  
24        associations, or other depositories and including such property of Defendant which may be  
25        discovered hereafter, wherever the same may be located and in whatever name or capacity it  
26        may be held (all of the foregoing being hereinafter referred to as the "Property") and is hereby  
27        directed to take immediate and exclusive possession and control of same. In addition to  
28        vesting title to all of the Property in the Receiver or his successors, the said Property is hereby

1 placed in the *custodia legis* of this Court. Commissioner, in his capacity as Receiver, and the  
2 Court hereby assumes and exercises sole and exclusive jurisdiction over all the Property and  
3 any claims or rights respecting such Property to the exclusion of any other court or tribunal,  
4 such exercise of sole and exclusive jurisdiction being hereby found to be essential to the  
5 safety of the public and of the claimants against Defendant. The Receiver is authorized to  
6 employ and to fix the compensation of such deputies, counsel, employees, accountants,  
7 actuaries, investment counselors, asset managers, consultants, assistants and other  
8 personnel as he considers necessary. Any Receivership Manager appointed by the Receiver  
9 pursuant to this Order shall exercise all of the authority of the Receiver pursuant hereto  
10 subject only to oversight by the Receiver and the Court. All compensation and expenses of  
11 such persons and of taking possession of Defendant and conducting this proceeding shall be  
12 paid out of the funds and assets of Defendant in accordance with NRS 696B.290.

13 (3) All persons, corporations, partnerships, associations and all other entities  
14 wherever located, are hereby enjoined and restrained from interfering in any manner with the  
15 Receiver's possession of the Property or his title to or right therein and from interfering in any  
16 manner with the conduct of the receivership of Defendant. Said persons, corporations,  
17 partnerships, associations and all other entities are hereby enjoined and restrained from  
18 wasting, transferring, selling, disbursing, disposing of, or assigning the Property and from  
19 attempting to do so except as provided herein.

20 (4) All claims against Defendant or its assets must be submitted to the Receiver as  
21 specified herein to the exclusion of any other method of submitting or adjudicating such claims  
22 in any forum, court, or tribunal subject to the further Order of this Court. The Receiver is  
23 hereby required to provide this Court with a Receivership Claims and Appeal Procedure, for  
24 all receivership claims, excluding Defendant's claims. The Receiver is also hereby required to  
25 provide this Court with a separate Receivership Claims and Appeal Procedure for Defendant's  
26 claims. The Receivership Claims and Appeal Procedures shall be used to facilitate the  
27 orderly disposition or resolution of claims or controversies involving the receivership or the  
28 receivership estates.

(5) Except as limited by Paragraph 2 of this Order, the Receiver may change to his own name the name of any of Defendant's accounts, funds or other property or assets, held with any bank, savings and loan association or other financial institution, wherever located, and may withdraw such funds, accounts and other assets from such institutions or take any lesser action necessary for the proper conduct of the receivership. To the extent the Receiver is actually aware of assets falling within the description in the second paragraph of Paragraph 2 of this Order in a comingled account, the Receiver may not deplete the funds or assets in such account below the value of the assets falling within that description.

(6) All secured creditors or parties, pledge holders, lien holders, collateral holders or other persons claiming secured, priority or preferred interest in any property or assets of Defendant, including any governmental entity, are hereby enjoined from taking any steps whatsoever to transfer, sell, encumber, attach, dispose of or exercise purported rights in or against the Property; however, except as provided in Paragraph 8(g) of this Order, Defendant shall be entitled to take any actions necessary to administer, settle and pay any and all claims made by insureds under Defendant policies or to make any necessary refund of premium to insureds.

(7) The officers, directors, trustees, partners, affiliates, agents, creditors, insureds, employees and policyholders of Defendant, and all other persons or entities of any nature including, but not limited to, claimants, plaintiffs, petitioners, and any governmental agencies who have claims of any nature against Defendant, including cross-claims, counterclaims and third party claims, are hereby permanently enjoined and restrained from doing or attempting to do any of the following, except as provided in subparagraph (g) of this Paragraph 8 and/or in accordance with the express instructions of the Receiver or by Order of this Court:

- a. conducting any portion or phase of the business of Defendant;
- b. commencing, bringing, maintaining or further prosecuting any action at law, suit in equity, arbitration, or special or other proceeding against Defendant or their estates, or the Receiver and his successors in office, as Receiver thereof, or any person appointed pursuant to Paragraph 3 hereinabove;

- c. making or executing any levy upon, selling, hypothecating, mortgaging, wasting, conveying, dissipating, or asserting control or dominion over the Property or the estate of Defendant;
- d. seeking or obtaining any preferences, judgments, foreclosures, attachments, levies, or liens of any kind against the Property;
- e. interfering in any way with these proceedings or with the Receiver, or any successor in office, in his acquisition of possession of, the exercise of dominion or control over, or his title to the Property, or in the discharge of his duties as Receiver thereof;
- f. commencing, maintaining or further prosecuting any direct or indirect actions, arbitrations, or other proceedings against any insurer of Defendant for proceeds of any policy issued to Defendant; or
- g. Notwithstanding any other provision of this Order, Defendant may continue to administer, settle and pay Defendant policy claims and make necessary refunds using Defendant funds without waiving any rights or remedies whatsoever.

17 (8) However, notwithstanding any other provision of this Order, the commencement  
18 of conservatorship, receivership, liquidation or other delinquency proceedings against  
19 Defendant in another jurisdiction by an official lawfully authorized to commence such  
20 proceeding shall not constitute a violation of this Order.

21 (9) No bank, savings and loan association or other financial institution shall, without  
22 first obtaining permission of the Receiver, exercise any form of set-off, alleged set-off, lien, or  
23 other form of self-help whatsoever or refuse to transfer the Property to the Receiver's control.

24 (10) The Receiver shall have the power and is hereby authorized:

25 a. to collect all debts and monies due and claims belonging to Defendant,  
26 wherever located, and for this purpose: (i) to institute and maintain timely  
27 actions in other jurisdictions, in order to forestall garnishment and attachment  
28 proceedings against such debts; (ii) to do such other acts as are necessary

or expedient to marshal, collect, conserve or protect its assets or property, including the power to sell, compound, compromise or assign debts for purposes of collection upon such terms and conditions as he deems appropriate, and the power to initiate and maintain actions at law or equity or any other type of action or proceeding of any nature, in this and other jurisdictions; (iii) to pursue any creditor's remedies available to enforce his claims;

b. to conduct public and private sales of the assets and property of Defendant, including any real property;

c. to acquire, invest, deposit, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or deal with any asset or property of Defendant, and to sell, reinvest, trade or otherwise dispose of any securities or bonds presently held by, or belonging to, Defendant upon such terms and conditions as he deems to be fair and reasonable, irrespective of the value at which such property was last carried on the books of Defendant. He shall also have the power to execute, acknowledge and deliver any and all deeds, assignments, releases and other instruments necessary or proper to effectuate any sale of property or other transaction in connection with the receivership;

d. to borrow money on the security of Defendant's assets, with or without security, and to execute and deliver all documents necessary to that transaction for the purpose of facilitating the receivership;

e. to enter into such contracts as are necessary to carry out this Order, and to affirm or disavow any contracts to which either Defendant is a party;

f. to institute and to prosecute, in the name of Defendant or in his own name, any and all suits and other legal proceedings, to defend suits in which Defendant or the Receiver is a party in this state or elsewhere, whether or not such suits are pending as of the date of this Order, to abandon the

prosecution or defense of such suits, legal proceedings and claims which he deems inappropriate, to pursue further and to compromise suits, legal proceedings or claims on such terms and conditions as he deems appropriate;

g. to prosecute any action which may exist on behalf of the policyholders, insureds or creditors, of Defendant against any officer or director of Defendant, or any other person;

h. to remove any or all records and other property of Defendant to the offices of the Receiver or to such other place as may be convenient for the purposes of the efficient and orderly execution of the receivership; and to dispose of or destroy, in the usual and ordinary course, such of those records and property as the Receiver may deem or determine to be unnecessary for the receivership;

i. to file any necessary documents for recording in the office of any recorder of deeds or record office in this County or wherever the Property of Defendant is located;

j. to intervene in any proceeding wherever instituted that might lead to the appointment of a conservator, receiver or trustee of Defendant or its subsidiaries, and to act as the receiver or trustee whenever the appointment is offered;

k. to enter into agreements with any ancillary receiver of any other state as he may deem to be necessary or appropriate;

l. to perform such further and additional acts as he may deem necessary or appropriate for the accomplishment of or in aid of the purpose of the receivership, it being the intention of this Order that the aforesigned enumeration of powers shall not be construed as a limitation upon the Receiver;

- 1 m. to terminate and disavow the authority previously granted Defendant's  
2 agents or marketing representatives to represent them in any respect,  
3 including the underlying agreements, and any continuing payment obligations  
4 created therein, as of the receivership date, with reasonable notice to be  
5 provided and agent compensation accrued prior to any such termination or  
6 disavowal to be deemed a general creditor expense of the receivership;
- 7 n. to affirm, reject, or disavow any leases or executory contracts to which any  
8 Defendant is a party. The Receiver is authorized to reject, or disavow any  
9 leases or executory contracts at such times as he deems appropriate under  
10 the circumstances, provided that payment due for any goods or services  
11 received after appointment of the Commissioner as Receiver, with his  
12 consent, will be deemed to be an administrative expense of the receivership,  
13 and provided further that other unsecured amounts properly due under the  
14 disavowed contract, and unpaid solely because of such disavowal, will give  
15 rise to a general unsecured creditor claim in the Receivership proceeding.  
16 The Receiver's power to affirm, reject, or disavow any leases or executory  
17 contracts will not apply to any leases or executory contracts made by or in  
18 the name of Defendant, or any leases or contracts made on behalf or for the  
19 benefit of Defendant, of which the Receiver is actually aware. The  
20 Receiver's power to affirm, reject, or disavow leases or contracts of  
21 Defendant will be subject to this Court's determination of the rights and legal  
22 status of the parties under those contracts or leases;
- 23 o. to institute and to prosecute, in the name of Defendant or in its own name,  
24 any and all suits and other legal proceedings, to defend suits in which any  
25 Defendant or the Receiver is a party in this state or elsewhere, whether or  
26 not such suits are pending as of the date of this Order, to abandon the  
27 prosecution or defense of suits, legal proceedings and claims which the  
28 Receiver deems inappropriate to pursue further and to compromise suits;

legal proceedings, or claims on such terms and conditions as the Receiver deems appropriate; and

p. to prosecute any action which may exist on behalf of the subscribers, members, insureds, policyholders, or creditors of Defendant against any officer or director of Respondents, or any other person.

6 (11) The Defendant, its officers, directors, partners, agents and employees, any  
7 person acting in concert with them, and all other persons, having any property or records  
8 belonging to Defendant, including data processing information and records of any kind such  
9 as, by way of example only, source documents, are hereby ordered and directed to surrender  
10 custody and to assign, transfer and deliver to the Receiver all of such property in whatever  
11 name the same may be held, and any persons, firms or corporations having any books,  
12 papers or records relating to the business of Defendant shall preserve the same and submit  
13 these to the Receiver for examination at all reasonable times. Any property, books, or records  
14 asserted to be simultaneously the property of Defendant and other parties, or alleged to be  
15 necessary to the conduct of the business of other parties though belonging in part or entirely  
16 to Defendant, shall nonetheless be delivered immediately to the Receiver who shall make  
17 reasonable arrangements for copies or access for such other parties without compromising  
18 the interests of the Receiver or the Defendant.

19 (12) All secured creditors or parties, pledge holders, lien holders, collateral holders,  
20 or other persons claiming secured, priority, or preferred interest in any property or assets of  
21 Defendant, including any governmental entity, are hereby enjoined from taking any steps  
22 whatsoever to transfer, sell, encumber, attach, dispose of, or exercise purported rights in or  
23 against the Property without the consent of the Receiver.

24 (13) In addition to that provided by statute or by the Defendant' policies or contracts  
25 of insurance, and to the extent not in conflict with the other provisions of this Paragraph 16,  
26 the Receiver may, at such time he deems appropriate, without prior notice, subject to the  
27 following provisions, impose such full or partial moratoria or suspension upon the payments or

1 other obligations which arise as sums due under the policies or contracts of insurance issued  
2 by Defendant, creditor obligations and any other payment obligations, provided that

3                   a. with respect to any policies or contracts of insurance, any such suspension  
4                   or moratorium shall apply in the same manner or to the same extent to all  
5                   policies or contracts of the same type or to the particular types or payments  
6                   due thereunder. However, the Receiver may, in his sole discretion, impose  
7                   the same upon only certain types, but not all, of the payments due under any  
8                   particular type of contract or policy; and  
9                   b. notwithstanding any other provision of this Order, the Receiver may  
10                  implement a procedure for the exemption from any such moratorium or  
11                  suspension, those hardship claims, as he may define them, that he, in his  
12                  sole discretion, deems proper under the circumstances.

13               (14) The Receiver shall only impose such moratorium or suspension when the same  
14               is not specifically provided for by contract or statute as part, or in anticipation, of a plan for the  
15               partial or complete rehabilitation of Defendant or when necessary to determine whether such  
16               partial or complete rehabilitation is reasonably feasible.

17               (15) It is hereby ordered that all insurance policies and contracts of insurance of  
18               Defendant are hereby terminated effective within thirty (30) days of the entry of this Order.  
19               Under no circumstances shall the Receiver be liable to any person or entity for his good faith  
20               decision to impose, or to refrain from imposing, such policy lien, moratorium or suspension.

21               (16) Notice of such policy lien, moratorium or suspension, which may be by  
22               publication, shall be provided to the holders of all policies or contracts affected thereby. The  
23               Receiver and all deputies, special deputies, attorneys, accountants, actuaries, investment  
24               counselors, managers, peace officers and other consultants are deemed to be public officers  
25               acting in their official capacities on behalf of the state and shall have no personal liability for or  
26               arising out of their acts or omissions performed in good faith in connection with their services  
27               performed in connection with these or related proceedings or pursuant to this or related orders  
28               except as regards claims by the Receiver.

(17) No judgment, order, attachment, garnishment sale, assignment, transfer, hypothecation, lien, security interest or other legal process of any kind with respect to or affecting the Defendant or the Property shall be effective or enforceable or form the basis for a claim against Defendant or the Property unless entered by the Court, or unless the Court has issued its specific order, upon good cause shown and after due notice and hearing, permitting same.

(18) All costs, expenses, fees or any other charges of the Receivership, including but not limited to fees and expenses of accountants, peace officers, actuaries, investment counselors, managers, attorneys, special deputies, and other assistants employed by the Receiver, the giving of the Notice required herein, and other expenses incurred in connection herewith shall be paid from the assets of Defendant. Provided, further, that the Receiver may, in his sole discretion, require third parties, if any, who propose rehabilitation plans with respect to Defendant to reimburse the estate of Defendant for the expenses, consulting or attorney's fees and other costs of evaluating and/or implementing any such plan.

(19) If any provision of this Order or the application thereof is for any reason held to be invalid, the remainder of this Order and the application thereof to other persons or circumstances shall not be affected thereby.

(20) The Receiver may at any time make further application for such further and different relief as he sees fit.

(21) The Court shall retain jurisdiction for all purposes necessary to effectuate and enforce this Order.

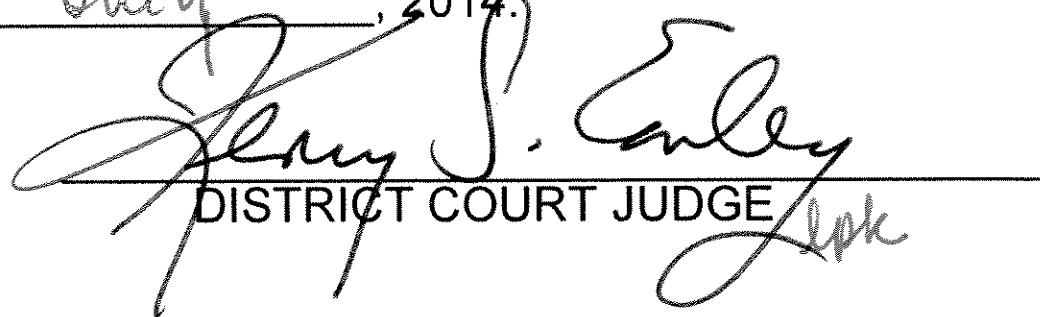
(22) The Receiver is authorized to deliver to any person or entity a certified copy of this Order, or of any subsequent order of the Court, such certified copy, when so delivered, being deemed sufficient notice to such person or entity of the terms of such Order. But nothing herein shall relieve from liability, nor exempt from punishment by contempt, any person or entity who, having actual notice of the terms of any such Order, shall be found to have violated the same.

1 (23) Notice of any filings in this proceeding shall additionally be provided by  
2 electronic delivery to the email addresses provided by the Receivership Manager, to  
3 Constance Akridge, Esq. and to CSC of Nevada, Inc., the new registered agent for PAIR.

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5 **IT IS SO ORDERED**

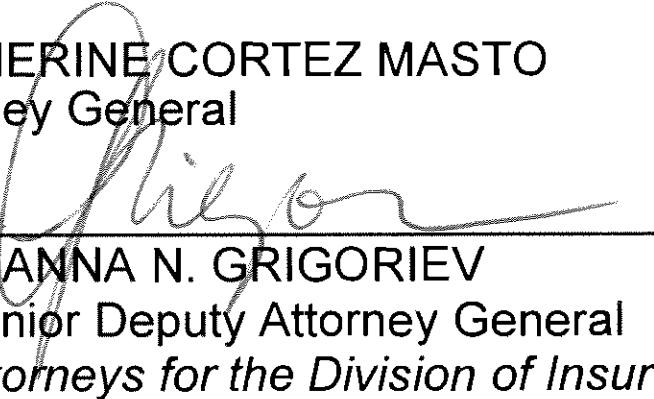
6 DATED this 3 day of July, 2014.

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Respectfully submitted by:

CATHERINE CORTEZ MASTO  
Attorney General

By:   
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Senior Deputy Attorney General  
Attorneys for the Division of Insurance