



CLERK OF THE COURT

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12
13 IN THE EIGHT JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA

14 IN AND FOR THE COUNTY OF CLARK

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

20 Plaintiff,

21 vs.

22 PROFESSIONAL AVIATION INSURANCE
23 RECIPROCAL, a Nevada Domiciled
24 Reciprocal Captive Insurance Company,

25 Defendant

26 Case No. A-700829-P

27 Dept. No. IV

28 **SECOND STATUS REPORT**

29 COME NOW, Scott J. Kipper, Commissioner of Insurance (the "Commissioner") for the
30 State of Nevada in his capacity as Permanent Receiver of Professional Aviation Insurance
31 Reciprocal ("PAIR"), and Regulatory Services Group ("RSG"), Receivership Manager of PAIR,
32 and file this second Status Report in the above-captioned receivership.

33 **I. INTRODUCTION AND HISTORICAL BACKGROUND**

34 PAIR is an unincorporated association formed as a captive insurance company
35 pursuant to Chapter 694C of the Nevada revised statutes (NRS) and operating as a reciprocal
36 insurer as that term is defined by NRS 680A.040. PAIR is domiciled in the State of Nevada

1 and received its Certificate of Authority on November 27, 2007. As a reciprocal insurer, the
2 subscribers of PAIR operate through an Attorney-In-Fact, T. Edwards, LLC, a Nevada
3 domestic limited liability company, to enable the exchange of contracts of insurance among
4 themselves. PAIR's program provides hull liability insurance (physical damage) to its
5 subscribers – pilots and pilot groups specializing in the Air Tractor industry – on a claims-
6 made basis.

7 On July 3, 2014, an Order Appointing the Nevada Insurance Commissioner as
8 Permanent Receiver of PAIR ("Permanent Receivership Order") was entered by the Eighth
9 Judicial District Court of the State of Nevada for Clark County (the "Court").

10 On June 2, 2014, Commissioner Kipper as Permanent Receiver of PAIR retained David
11 E. Wilson and Regulatory Services Group ("RSG") as Receivership Manager. The
12 Receivership Manager was authorized to retain the services of Scott Pearce of RSG as his
13 Receivership Supervisor. As provided for by the Permanent Receivership and Liquidation
14 Order, the Receiver and Receivership Manager are authorized to conduct the business of
15 PAIR and to administer its affairs for the protection of all secured creditors, insureds,
16 policyholders, and general creditors.

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

20 II. RECEIVERSHIP ADMINISTRATION

21 A. Notices of Receivership and Notification of Interested Parties

22 The Receivership Manager continues to provide notice of the receivership proceeding
23 apprising any known interested parties or claimants of the receivership and pending
24 liquidation of PAIR. Additionally, the Regulatory Services Group website is periodically
25 updated with any material developments and information as well as links to view and obtain
26 copies of the permanent receivership order.

1 The Receivership Manager has completed service of a certified copy of the permanent
2 receivership order on the Company's depository banking partner Well Fargo Bank and has
3 taken full authority over PAIR's sole bank account.

4 Counsel for the Receiver and RSG together continue to receive and address periodic
5 inquiries from stakeholders or interested parties that have been provided notice of the
6 receivership. As reported in the first PAIR status filing with the Court copies of the permanent
7 receivership and liquidation order have been served upon both Constance Akridge, Esq.,
8 counsel for Risk Services LLC., and the Corporation Service Company ("CSC") in their
9 capacities as the former captive manager and registered agent of service respectively for
10 PAIR. In addition, RSG delivered copies of the Permanent Receivership Order to Trevor
11 Edwards and T. Edwards, LLC as the Attorney-In-Fact of PAIR; Morris, Manning and Martin,
12 LLP in their capacity as legal counsel to Mr. Edwards as Attorney-In-Fact for PAIR; all
13 members of the Board of Directors of PAIR; all known subscribers to PAIR as well as all
14 known reinsurers, brokers, reinsurance intermediaries, professional service providers and any
15 other known stakeholders to PAIR. The Receiver intends to publish notice of the permanent
16 receivership proceeding in newspapers in locations where PAIR wrote insurance.

17 **B. Policyholder Related Claims**

18 As of September 30, 2014, PAIR reported five open claims totaling \$1,574,040 in
19 estimated policy liability. PAIR insured each of the policy claimants for "hull" or property
20 damage coverage. Two of the open claims were being litigated at the time of the entry of the
21 permanent receivership order. Notice of the PAIR receivership proceeding and the associated
22 injunctions has been filed in one case and notice of the receivership and liquidation order was
23 provided to opposing counsel in the second litigated case. The balance of policy claimants
24 also received notice of the Receivership Order and injunction. PAIR's open claims are not
25 covered by any insurance guaranty statutes but the reciprocal has a reinsurance program in
26 place that may serve to pay a portion of any approved claims exposure or other claim-related
27 obligations that may result from the litigation. The Receivership Manager will review and
28

1 determine the merit of the open claims via a proof of claims process and will seek to address
2 any approved obligations in accordance with the Receivership Order and PAIR's limited
3 resources. After extensive discussions with Mr. Edwards and his counsel, all claims- related
4 documents, systems and correspondence have been provided to the Receivership Manager.
5 While considerable progress has been made to identify all known claims, the Receivership
6 Manager will work to verify and determine the actual merits of each open claim through the
7 proof of claims process and seek to honor any policy obligations subject to the limitations of
8 available assets to distribute. The Receivership Manager anticipates commencing the proof
9 of claim process in the first quarter of 2015.

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

11 As of September 30, 2014 PAIR also reported approximately \$318,400 in general
12 creditor and/or other enterprise claims in addition to the known policy liability. In accordance
13 with the statutory claims-priority scheme, the Receivership Manager will need to first estimate
14 a final or dependable amount due under the policyholder claims prior to determining any lower
15 priority claims. To the extent the Receivership Manager does not have sufficient assets to pay
16 all approved policyholder claims in full, he will forego any additional work and costs associated
17 with reviewing and determining lower priority claims as there will be no assets to satisfy such
18 claims.

19 **D. Records and Assets Control**

20 The Receivership Manager has essentially completed the process of taking possession
21 of PAIR's books and records, both tangible and electronic. The majority of PAIR's records are
22 maintained in electronic form, and were released to the Receivership Manager by its captive
23 manager Risk Services, LLC or PAIR Attorney-In-Fact, Trevor Edwards of T. Edwards, LLC.
24 The Receivership Manager has set up a secure web-based location to receive any additional
25 books and records of PAIR as they become known. Although many of PAIR's records were
26 being held by parties in various states, the process of collecting all of PAIR's documents and

1 information is essentially complete and the Receivership Manager has compiled what appears
2 to be a comprehensive collection of the reciprocals books and records.

3 In addition to records control, the Receivership Manager now has completed the
4 transition of control over PAIR's bank account at Wells Fargo Bank. After providing the
5 necessary information and documentation to the bank, the Receivership Manager has
6 transferred the signatory control of PAIR's sole bank account at Wells Fargo to RSG as the
7 Receivership Manager of PAIR. The Receivership Manager has also completed the collection
8 of a pledged Letter of Credit (the "LOC") in the amount of \$500,000 that was held in trust by
9 the Nevada insurance regulators. The proceeds of the LOC have been deposited into the
10 Wells Fargo Account. The Receivership Manager has not located and is not aware of any
11 other material assets beyond the Wells Fargo Bank account balance (including the LOC
12 proceeds) belonging to PAIR with the exception of the reinsurance program that may serve to
13 pay a portion of any approved policy related claims. The Receivership Manager will seek
14 recovery of the reinsurance upon determination of the policy related claims. At this time the
15 potential reinsurance assets are only estimates based upon information provided by the
16 captive manager, the actual reinsurance collections will be determined as policy claims are
17 determined and the Receivership Manager bills the reinsurers.

18 **E. Financial Analysis**

19 As of September 30, 2014 PAIR's Wells Fargo bank account had a balance of
20 \$469,772. Additionally, for the period ending September 30, 2014 PAIR continues to report
21 potential reinsurance recoveries of approximately \$355,550. Considering potential reinsurance
22 recoveries together with the current cash assets PAIR has total potential assets of
23 approximately \$825,322 at September 30, 2014. At September 30, 2014 PAIR reported
24 \$1,892,439 in both policy related claims and enterprise/vendor expense liabilities. The
25 Receivership Manager continues the work to determine the ultimate obligations of the
26 Company and will pursue recovery of any reinsurance assets.

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III. CONCLUSION

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

DATED: December 12th, 2014

Respectfully submitted:

**Scott J. Kipper, Commissioner of Insurance
of the State of Nevada, in his Official Capacity as
Statutory Receiver of Delinquent Domestic Insurers**

By: /s/ Scott Pearce
Scott Pearce
Regulatory Services Group
Receivership Supervisor

Respectfully submitted by:

CATHERINE CORTEZ MASTO
Attorney General

By: /s/ Joanna N. Grigoriev

Joanna N. Grigoriev
Senior Deputy Attorney General
Attorneys for the Commissioner of Insurance as Receiver

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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing SECOND STATUS REPORT with the Clerk of the Court by using the electronic filing system on the 12th day of December, 2014.

() The following participants in this case are registered electronic filing system users and will be served electronically:

(X) I certify that some of the participants in the case are not registered electronic filing system users and I have mailed the foregoing documents by First-Class Mail, postage prepaid to:

Constance Akridge, Esq.
Leslie Nino, Esq.
Holland & Hart, LLP
9555 Hillwood Dr., 2nd Floor
Las Vegas, NV 89134

CSC of Nevada, Inc.
2215-B Renaissance Dr.
Las Vegas, NV 89119

() I certify that I have served the foregoing documents by First-Class Mail, postage prepaid and by e-mailing same to participant's personal e-mail address as follows:

/s/ Debra Turman
An employee of the Office of the Attorney General