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

STATE OF NEVADA, EX REL.)
COMMISSIONER OF INSURANCE, IN HIS)
OFFICIAL CAPACITY AS STATUTORY)
RECEIVER FOR DELINQUENT DOMESTIC)
INSURER,)
Plaintiff,)
vs.)
PROFESSIONAL AVIATION INSURANCE)
RECIPROCAL, a Nevada Domiciled)
Reciprocal Captive Insurance Company,)
Defendant.)
Case No. A-700829-P
(Coordinated with A-705863 on certain
matters)
Dept. No. XXIV

FOURTH STATUS REPORT

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

I. INTRODUCTION AND HISTORICAL BACKGROUND

PAIR is an unincorporated association formed as a captive insurance company pursuant to Chapter 694C of the Nevada revised statutes (NRS) and operating as a reciprocal insurer as that term is defined by NRS 680A.040. PAIR is domiciled in the State of Nevada and received its Certificate of Authority on November 27, 2007. As a reciprocal insurer, the

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

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

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

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

19 II. RECEIVERSHIP ADMINISTRATION

20 A. Notices of Receivership and Notification of Interested Parties

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

27 Counsel for the Receiver and RSG together continue to receive and address periodic
28 inquiries from stakeholders or interested parties that have been provided notice of the

1 receivership. As reported in prior PAIR status filings with the Court copies of the permanent
2 receivership and liquidation order have been served upon both Constance Akridge, Esq.,
3 counsel for Risk Services LLC., and the Corporation Service Company (“CSC”) in their
4 capacities as the former captive manager and registered agent of service respectively for
5 PAIR. In addition, RSG delivered copies of the Permanent Receivership Order to Trevor
6 Edwards and T. Edwards, LLC as the Attorney-In-Fact of PAIR; Morris, Manning and Martin,
7 LLP in their capacity as legal counsel to Mr. Edwards as Attorney-In-Fact for PAIR; all
8 members of the Board of Directors of PAIR; all known subscribers to PAIR as well as all
9 known reinsurers, brokers, reinsurance intermediaries, professional service providers and any
10 other known stakeholders to PAIR. The Receiver published legal notice of the permanent
11 receivership proceeding in the Wall Street Journal as PAIR wrote insurance in several
12 different areas of the country. This was done as part of the proof of claims process.

13 **B. Policyholder Related Claims**

14 As of April 30, 2015, PAIR continues to report six open claims totaling \$1,574,040 in
15 estimated policy liability (one claim remains unreserved at present as there are insufficient
16 facts presented to the Receiver). Final policyholder liability will be determined after completion
17 of the Receivership Manager’s evaluation of all submitted claims through the Proof of Claim
18 process. PAIR’s open claims are not covered by any insurance guaranty statutes. PAIR
19 insured each of the policy claimants for “hull” or property damage coverage. Two of the open
20 claims were being litigated at the time of the entry of the permanent receivership order.
21 Notice of the PAIR receivership proceeding and the associated injunctions have been
22 appropriately provided in the litigated matters.

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

24 As of April 30, 2015 and based upon available information the Receivership Manager
25 estimates approximately \$318,400 in general creditor and/or other enterprise claims in
26 addition to the known policy liability. In accordance with the statutory claims-priority scheme,
27 the Receivership Manager will need to evaluate the claims through the Proof of Claim
28 process, and determine the proper class of the claim under NRS 696B.420. If the

1 Receivership Manager does not have sufficient assets to pay all approved policyholder claims
2 in full, he will forego any additional work and costs associated with reviewing and determining
3 lower priority claims as there will be no assets to satisfy such claims.

4 **D. Proof of Claim Process**

5 The Receivership Manager will review and determine the merit of the open claims via a
6 proof of claims process and will seek to address any approved obligations in accordance with
7 the Receivership Order and PAIR's limited resources. Publication of the legal notice and
8 actual mailing of Proof of Claim forms and instructions happened in the last week of January,
9 2015. The Receivership Manager believes that all known potential creditors of the estate have
10 been identified, and a Proof of Claim form has been sent to each potential creditor. The claims
11 bar date was established at July 31, 2015. As of April 30, 2015, nine Proofs of Claim have
12 been returned, and work is commencing to review those claims in the context of legacy
13 records.

14 **E. Reinsurance**

15 Under the 2013 treaty, approved claims are recoverable from London reinsurers in the
16 amount of \$680,000 in excess of a \$350,000 retention per aircraft. Based on the claims
17 information available as of April 30, 2015, only the Josh Heigle/Red River Aviation, Inc. claims
18 (2) are projected to have recovery estimates:

Date of Loss	Gross Incurred	Retention	Net Loss
			Recoverable
05/24/2013	\$703,626	\$350,000	\$353,626
07/24/2013	\$372,000	\$350,000	\$ 22,000
Total			\$375,626

25 In addition, PAIR owes the reinsurers the 4th quarter 2013 premium deposit of \$62,500
26 which may be offset against future reinsurance recoveries which will reduce the above
27 estimate to \$313,126. Ultimate reinsurance billings will be determined upon the completion of
28 the proof of claims process.

1 **F. Records and Assets Control**

2 The Receivership Manager has essentially completed the process of taking possession
3 of PAIR's books and records, both tangible and electronic. The majority of PAIR's records is
4 maintained in electronic form, and was released to the Receivership Manager by its captive
5 manager Risk Services, LLC or by the reciprocals Attorney –In-Fact, Trevor Edwards of T.
6 Edwards, LLC. The Receivership Manager has set up a secure web-based location to receive
7 any additional books and records of PAIR as they become known. The Receivership
8 Manager has not located and is not aware of any other material assets beyond the Wells
9 Fargo Bank account balance (including the LOC proceeds) belonging to PAIR with the
10 exception of the reinsurance program that may serve to pay a portion of any approved policy
11 related claims. The Receivership Manager will seek recovery of the reinsurance upon
12 conclusion of the POC process and determination of the policy related claims. At this time the
13 potential reinsurance assets are only estimates based upon information provided by the
14 captive manager, the actual reinsurance collections will be determined as policy claims are
15 determined and the Receivership Manager bills the reinsurers.

16 **G. Financial Analysis**

17 As of April 30, 2015 PAIR's Wells Fargo bank account had a balance of \$434,650.
18 Additionally, the Receivership Manager holds a \$50,000 retainer. PAIR anticipates potential
19 reinsurance recoveries of approximately \$313,126. Through March 31, 2015 the
20 Receivership Manager has incurred \$70,766 in administration expenses. Considering
21 potential reinsurance recoveries together with the current cash assets less administrative
22 expenses PAIR has total potential assets of approximately \$727,010 at March 31, 2015. At
23 April 30, 2015 PAIR continues to estimate in excess of \$1,890,000 in both policy related
24 claims and enterprise/vendor expense liabilities. The Receivership Manager has commenced
25 a formal POC process to determine the ultimate claim and creditor obligations of the
26 Company and will pursue recovery of any reinsurance assets. Thereafter the Receivership
27 Manager will seek court approval to distribute PAIR's remaining assets in accordance with
28 NRS 696B.420.

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: May 13, 2015.

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:

ADAM PAUL LAXALT
Attorney General

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

CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing Fourth Status Report via the electronic filing system on the 13th day of May, 2015 and that it was served as follows:

- The participants are not registered electronic filing system users in this case and I have mailed the foregoing document by First Class Mail, postage prepaid to:

CSC Nevada, Inc. c/o
Constance Akridge, Esq.
Holland & Hart, LLP
9555 Hillwood Drive, 2nd Floor
Las Vegas, NV 89134

/s/ Marilyn Millam

An employee of the Office of the Attorney General