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CLERK OF THE COURT

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

STATE OF NEVADA, EX REL. ) Case No. A-700829-P  
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. )  
Dept. No. XXIV

## **FIFTH STATUS REPORT**

COME NOW, Amy L. Parks, Acting<sup>1</sup> Commissioner of Insurance for the State of Nevada in his capacity as Permanent Receiver (“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

<sup>1</sup> Amy L. Parks replaced Scott J. Kipper as Commissioner of Insurance following his resignation effective July 2, 2015.

1 insurer as that term is defined by NRS 680A.040. PAIR is domiciled in the State of Nevada  
2 and received its Certificate of Authority on November 27, 2007. As a reciprocal insurer, the  
3 subscribers of PAIR operated through an Attorney-in-fact, T. Edwards, LLC, a Nevada  
4 domestic limited liability company, to enable the exchange of contracts of insurance among  
5 themselves. PAIR's program provides hull liability insurance (physical damage) to its  
6 subscribers – pilots and pilot groups specializing in the Air Tractor industry – on a claims-  
7 made basis.

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

11 On June 2, 2014, Receiver of PAIR retained David E. Wilson and Regulatory Services  
12 Group ("RSG") as Receivership Manager. The Receivership Manager was authorized to  
13 retain the services of Scott Pearce of RSG as his Receivership Supervisor. As provided for by  
14 the Permanent Receivership Order, the Receiver and Receivership Manager are authorized to  
15 conduct the business of PAIR and to administer its affairs for the protection of all secured  
16 creditors, insureds, 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 has provided notice of the receivership proceeding to  
23 known interested parties, and periodically addresses inquiries from interested parties or  
24 claimants of the receivership and pending liquidation of PAIR. Additionally, the Regulatory  
25 Services Group website is periodically updated with any material developments and  
26 information as well as links to view and obtain copies of the permanent receivership order and  
27 any subsequent pleadings filed in the PAIR receivership.

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2       **B. Policyholder Related Claims**

3       The claims bar date for the Proof of Claim process was 7/31/2015. All claims should  
4 now have been received by the Receivership Manager. Policyholder liability will be  
5 determined after completion of the Receivership Manager's evaluation of all submitted claims  
6 through the Proof of Claim process. Eight policyholder claims were filed with a total claimed  
7 amount of \$1,883,513.58. That figure does not include one claim that was asserted with an  
8 amount that was not yet determined, and the figure is inflated by at least one major claim that  
9 seeks extra contractual damages which, accepted, would not be considered a policyholder  
10 level class claim.

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

12       The Proof of Claim process produced 5 asserted General Creditor category claims with  
13 claimed amounts equaling \$89,827.64. Additionally, there is one equity claim, a lower priority  
14 than general creditor claims, for \$1,225,000.

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

19       **D. Proof of Claim Process**

20       As detailed above, the Proof of Claims process had an ultimate bar date of 7/31/2015,  
21 with total claimed amounts of \$3,198,341.22.

22       A detailed claims report pursuant to NRS 696B.330 (6) will be filed within the next 30  
23 days.

24       **E. Reinsurance**

25       Under the 2013 treaty, approved claims are recoverable from London reinsurers in the  
26 amount of \$680,000 in excess of a \$350,000 retention per aircraft. Based on the POCs, filed  
27 with the estate through July 31, 2015, there is only one claim that has the potential to attach to

1 the reinsurance treaty, O'Brien Flying Services, Inc. The claimant filed a claim for \$1,528,422  
2 but no determination has been made as of July 31, 2015.

3 In addition, PAIR owes reinsurers the 4<sup>th</sup> quarter 2013 premium deposit of \$62,500  
4 which may be offset against future reinsurance recoveries, if any.

5 **F. Records and Assets Control**

6 The Receivership Manager has essentially completed the process of taking possession  
7 of PAIR's books and records, both tangible and electronic.

8 **G. Financial Analysis**

9 As of July 31, 2015 PAIR's Wells Fargo bank account had a balance of \$434,450.  
10 Additionally, the Receivership Manager holds a \$50,000 retainer. At this time, PAIR cannot  
11 estimate potential reinsurance recoveries until the O'Brien Flying Services claim has been  
12 determined. Through July 31, 2015 the Receivership Manager has incurred \$89,011 in  
13 administration expenses. Considering the current cash assets less administrative expenses  
14 PAIR has total potential assets of approximately \$417,441 at July 31, 2015. At July 31, 2015  
15 PAIR continues to estimate in excess of \$1,890,000 in both policy related claims and  
16 enterprise/vendor expense liabilities. The Receivership Manager has commenced a formal  
17 POC process to determine the ultimate claim and creditor obligations of the Company and will  
18 pursue recovery of any reinsurance assets. Thereafter the Receivership Manager will seek  
19 court approval to distribute PAIR's remaining assets in accordance with NRS 696B.420.

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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: August 13, 2015.

Respectfully submitted:

Amy L. Parks, Acting Commissioner of Insurance  
of the State of Nevada, in her 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 13<sup>th</sup> day of August, 2015 and that is 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:

Constance Akridge, Esq.  
Holland & Hart, LLP  
9555 Hillwood Drive, 2<sup>nd</sup> Floor

/s/ Marilyn Millam

An employee of the Office of the Attorney General