

1 SR
2 ADAM PAUL LAXALT
3 Attorney General
4 JOANNA N. GRIGORIEV
5 Senior Deputy Attorney General
6 Nevada Bar No. 5649
7 555 E. Washington Avenue, Suite 3900
8 Las Vegas, NV 89101
9 P: (702) 486-3101
10 Email: jgrigoriev@ag.nv.gov
11 Attorney for the Division of Insurance

Adam D. Laxalt
CLERK OF THE COURT



12
13 IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA
14
15 CLARK COUNTY, NEVADA

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

Case No. A-700829-P

Dept. No. XXIV

21 Plaintiff,

22 vs.

23 PROFESSIONAL AVIATION INSURANCE)
24 RECIPROCAL, a Nevada Domiciled)
25 Reciprocal Captive Insurance Company,)
26 Defendant.

27
28 **SIXTH STATUS REPORT**

COME NOW, Amy L. Parks, Acting¹ Commissioner of Insurance for the State of Nevada in her capacity as Permanent Receiver ("Receiver") of Professional Aviation Insurance Reciprocal ("PAIR"), and Regulatory Services Group ("RSG"), Receivership Manager of PAIR, and file this Sixth 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

¹ 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.

28

1
2 **B. Policyholder Related Claims**

3 The claims bar date for the Proof of Claim process was 7/31/2015. All claims have
4 been received and, at least, preliminarily evaluated by the Receivership Manager.
5 Policyholder liability will be determined after determination by the Receivership Manager's of
6 the submitted claims through the Proof of Claim process. Accompanying this filing is a first
7 filing of a claims listing under NRS 696B.330(6). (Exhibit A) Only three claims are now being
8 considered as policyholder claims. Two of the three claims are relatively well defined, but not
9 sufficiently documented, while the third claim, that of O'Brien Flying Services, requires further
10 analysis on its merits. The substantial likelihood is that policyholder claims will be approved at
11 amounts greater than total assets, and no claims below policyholder class will be considered.

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

13 The Proof of Claim process produced 6 asserted General Creditor category claims
14 which, per analysis above, will not be presently considered. Additionally, after review we find
15 there are three equity claims, a lower priority than general creditor claims, and which will be
16 unlikely to ever be considered.

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

21 **D. Proof of Claim Process**

22 All timely filed claims have had preliminary reviews and work-ups.

23 A detailed claims report pursuant to NRS 696B.330 (6) is being filed
24 contemporaneously with this report.

25 **E. Reinsurance**

26 Under the 2013 treaty, approved claims are recoverable from London reinsurers in the
27 amount of \$680,000 in excess of a \$350,000 retention per aircraft. Based on the POCs, filed
28 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 October 31, 2015.

3 In addition, PAIR owes reinsurers the 4th 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 October 31, 2015 PAIR's Wells Fargo bank account had a balance of \$395,080.
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 October 31, 2015 the Receivership Manager has incurred \$98,198 in
13 administration expenses. Considering the current cash assets less administrative expenses
14 PAIR has total potential assets of approximately \$368,884 at October 31, 2015. At October
15 31, 2015 PAIR continues to estimate in excess of \$1,950,000 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.

20 ///

21 ///

22 ///

23 ///

24 ///

25 ///

26 ///

27 ///

28 ///

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: November 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 Sixth Status Report via the electronic filing system on the 13th day of November, 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, 2nd Floor

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

Exhibit A

PAIR CLAIMS Pursuant to NRS 696B.330(6)

POC No.	Claimant Name	Claimed Amount	Claim Evaluated	Returned Date	Probable	
					Priority	Status
300024	Tarheel Turbines	\$ 5,180.00	\$0	7/7/2015	b	To Reject-Other Source
300059	Benny White Flying Service	\$ 101,706.83	\$85,000	3/31/2015	b	Not Final-Estimated Reserve
300064	Headwaters Flying Service	\$ -	\$0	3/27/2015	b	Wrong Insurer-Reject
300070	STEIER AG AVIATION, INC.	\$ 216,122.01	\$190,000	5/11/2015	b	Not Final-Estimated Reserve
300074	O'Brien Flying Service	\$ 1,528,422.23	\$435,144	7/22/2015	b	Not Final-Precautionary Reserve
300105	Risk Services, LLC	\$ 11,965.14		6/5/2015	g	No Money for Class
300106	LLOYD'S UNDERWRITER SYND NO.	\$ 26,137.50		5/19/2015	g	No Money for Class
300107	atrium AVIATION RE CONSORTIUM	\$ 8,712.50		5/19/2015	g	No Money for Class
300108	XL RE EUROPE LIMITED	\$ 26,137.50		5/19/2015	g	No Money for Class
300109	HANNOVER RUCKVERSICHERUNG	\$ 16,875.00		6/30/2015	g	No Money for Class
300034	Merris, Manning & Martin, LLP Attn	\$ 11,642.76		4/20/2015	g	No Money for Class
300100	Trevor Edwards	\$ 1,225,000.00		7/13/2015	k	No Money for Class
300058	Blackstone Aerial Spraying	\$ 6,300.00		3/24/2015	k	No Money for Class
300089	Hartley Flying Service, Inc.	\$ 14,139.75		4/11/2015	k	No Money for Class