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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.
COMMISSIONER OF INSURANCE, IN HER
OFFICIAL CAPACITY AS STATUTORY
RECEIVER FOR DELINQUENT DOMESTIC
INSURER,

Case No. A-700829-P

Dept. No. XXIV

Plaintiff,

vs.

**PROFESSIONAL AVIATION INSURANCE
RECIPROCAL, a Nevada Domiciled
Reciprocal Captive Insurance Company,
Defendant.**

Case No. A-700829-P

NINTH STATUS REPORT

COME NOW, Barbara Richardson¹ Commissioner of Insurance (the "Commissioner") 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 Ninth Status Report in the above-captioned receivership.

¹ Barbara Richardson is hereby substituted in the place and stead of Amy L. Parks as the Receiver for Professional Aviation Insurance Reciprocal, as Ms. Richardson has been appointed Insurance Commissioner for the State of Nevada following Ms. Parks' service as Acting Commissioner.

I. INTRODUCTION AND HISTORICAL BACKGROUND

PAIR was an unincorporated association formed as a captive insurance company pursuant to Chapter 694C of the Nevada revised statutes (NRS) and operated as a reciprocal insurer as that term is defined by NRS 680A.040. PAIR was domiciled in the State of Nevada and received its Certificate of Authority on November 27, 2007. As a reciprocal insurer, the subscribers of PAIR operated through an Attorney-in-fact, T. Edwards, LLC, a Nevada domestic limited liability company, to enable the exchange of contracts of insurance among themselves. PAIR's program provided hull liability insurance (physical damage) to its subscribers – pilots and pilot groups specializing in the Air Tractor industry – on a claims-made basis.

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

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

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

II. RECEIVERSHIP ADMINISTRATION

A. Notices of Receivership and Notification of Interested Parties

The Receivership Manager provided notice of the receivership proceeding to all known interested parties, and periodically addresses inquiries from interested parties or claimants of the receivership and pending liquidation of PAIR. Additionally, the Regulatory Services Group website is periodically updated with any material developments and information as well.

1 as links to view and obtain copies of the permanent receivership order and any subsequent
2 pleadings filed in the PAIR receivership.

3 **B. Policyholder Related Claims**

4 The claims bar date for the Proof of Claim process was 7/31/2015. All claims have
5 been received and evaluated by the Receivership Manager. Policyholder liability will be
6 determined after determination by the Receivership Manager of the submitted claims through
7 the Proof of Claim process. Accompanying this filing is a claims listing pursuant to the
8 requirements of NRS 696B.330(6). Only four claims are now being considered as policyholder
9 claims. Three of the four claims are now resolved and approved,, but the last remaining
10 unresolved claim, that of O'Brien Flying Services, is still undergoing a coverage analysis and,
11 thereafter, it requires further analysis of the merits based on the coverage review. The other
12 unresolved Class (b) claim at the last status filing, Morris Manning's claim for attorney fees, is
13 now resolved. The claim shows as resolving for more than the claimed amount, but after
14 prove-up eliminating confusion between fees attributable to PROAIR versus those attributable
15 to PAIR, the approved amount is properly reflected. Given that the approved policyholder
16 claims are now at \$298,613 with projected total assets at closure expected to be
17 approximately \$400,000, and that the O'Brien claim is unlikely to be resolved within the
18 difference of those numbers, it becomes apparent that policyholder claims will be approved at
19 amounts greater than total assets; thus, no claims below policyholder class will be evaluated
20 or considered. (NRS 696B.330(4))

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

22 The Proof of Claim process produced 6 asserted General Creditor category claims
23 which, per analysis above, will not be considered. Additionally, after review we find there are
24 three equity claims, a lower priority than general creditor claims and will not be considered.

25 **D. Proof of Claim Process**

26 All timely filed claims are in process. Assuming that the O'Brien claim resolves, this
27 estate can be moved to a final disposition within the next few months. If the resolution of the
28 O'Brien claim causes approved policyholder claims to exceed assets available, all creditors in

1 lower claim priority categories will be notified that there are no assets available to pay their
2 class of claims.

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

5 **E. Reinsurance**

6 Under the 2013 treaty, approved claims are recoverable from London reinsurers in the
7 amount of \$680,000 in excess of a \$350,000 retention per aircraft. Based on the POCs, filed
8 with the estate through July 31, 2015, there is only one claim that has the potential to attach to
9 the reinsurance treaty, O'Brien Flying Services, Inc. The claimant filed a claim for \$1,528,422
10 but no determination has been made as of December 31, 2015.

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

13 **F. Records and Assets Control**

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

16 **G. Financial Analysis**

17 As of July 31, 2016 PAIR's Wells Fargo bank account had a balance of \$356,774.
18 Additionally, the Receivership Manager holds a \$50,000 retainer. At this time, PAIR cannot
19 estimate potential reinsurance recoveries until the O'Brien Flying Services claim has been
20 determined. Through June 30, 2016 the Receivership Manager has incurred \$118,361 in
21 administration expenses. Considering the current cash assets less administrative expenses
22 PAIR has total potential assets of approximately \$347,841 at July 31, 2016. At July 31, 2016
23 PAIR has policyholder liabilities believed to be in excess of total assets. Once the
24 Receivership Manager concludes policyholder claim determinations, it will seek court approval
25 to distribute PAIR's remaining assets in accordance with NRS 696B.420.

26 / / /

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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: August 16, 2016.

Respectfully submitted:

Barbara Richardson, 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 Seventh Status Report via the electronic filing system on the 16th day of August, 2016 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/ Marilyn Millam
An employee of the Office of the Attorney General

EXHIBIT A

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

8/12/16

POC No.	Claimant Name	Claimed Amount	Claim Evaluated	Returned Date	Probable		Status
					Priority		
300024 Tarheel Turbines		\$ 5,180.00	\$0.00	7/7/2015	b	Rejected	
300059 Benny White Flying Service		\$ 101,706.83	\$80,082.95	3/31/2015	b	Approved	
300064 Headwaters Flying Service		\$0.00	\$0.00	3/27/2015	b	Rejected	
300070 STEIER AG AVIATION, INC.		\$ 216,122.01	\$189,863.68	5/11/2015	b	Approved	
300074 O'Brien Flying Service		\$ 1,528,422.23	\$435,144.00	7/22/2015	b	Finalizing-Coverage review	
300034 Morris, Manning & Martin, LLP Attn: Robert H. Myers, Jr. Esq		\$ 11,642.76	\$28,666.78	4/20/2015	b	PAIR-PROAIR Adjustment	
			\$733,757.41				
300105 Risk Services, LLC		\$ 11,965.14		6/5/2015	g	No Money for Class	
300106 LLOYD'S UNDERWRITER SYND NO. 2010 MMX		\$ 26,137.50		5/19/2015	g	No Money for Class	
300107 ATRIUM AVIATION RE CONSORTIUM, NO. 9563		\$ 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 AKTIEN		\$ 16,875.00		6/30/2015	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	