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BY ~~C. MERRIWETHER~~ DEPUTY

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10 IN THE FIRST JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA
IN AND FOR THE COUNTY OF CARSON CITY

11 STATE OF NEVADA, EX REL.) Case No. 14 OC 00114 1B
12 COMMISSIONER OF INSURANCE, IN HER)
13 OFFICIAL CAPACITY AS STATUTORY) Dept. No. 2
14 RECEIVER FOR DELINQUENT DOMESTIC)
15 INSURER,)
16 Plaintiff,)
17 vs.)
18)
19 PHYSICIANS BENEFIT RESOURCES RISK)
20 RETENTION GROUP, INC. , a Nevada)
21 Domiciled Association Captive Insurance)
22 Company,)
23)
24 Defendant)
25)
26)

27 **SIXTH STATUS REPORT**

28 Amy L. Parks, Acting Commissioner of Insurance (the "Commissioner") for the State of
Nevada, in her capacity as Permanent Receiver of Physicians Benefit Resources Risk
Retention Group, Inc. ("PBR" or the "Company"), and Regulatory Services Group ("RSG"),
Receivership Manager of PBR, files this Sixth Status Report in the above-captioned
receivership.

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I. INTRODUCTION AND HISTORICAL BACKGROUND

PBR is a captive insurance company operating as a risk retention group, incorporated and organized under the Nevada Insurance laws and the Liability Risk Retention Act of 1986. The company is domiciled in the State of Nevada and received its Certificate of Authority on July 20, 2010, and operated under the authority of Nevada Revised Statutes ("NRS") Chapter 694C.

The Company wrote professional liability insurance to physicians and their medical groups under claims-made indemnity policies. Ultimately, the Company was unable to collect sufficient premiums to both cover its fixed costs and operate as a viable insurer. In its history, it was able to attract only one doctor group.

On December 31, 2012, the Company reported a Capital and Surplus balance of \$149,013. In accordance with NRS 694C.250(1), the company was unable to maintain the required minimum Capital and Surplus balance of \$500,000. As a consequence of failing to restore the minimum Capital and Surplus balance by April 30, 2013, the Company agreed to a voluntary suspension of its Certificate of Authority. On June 26, 2013, the Company filed a run-off plan with the Nevada Division of Insurance to begin the process of closing down operations.

On June 12, 2014, the Nevada Insurance Commissioner was appointed as Permanent Receiver of the Company by the First Judicial District Court of the State of Nevada (the "Court"). On June 17, 2014, an Amended Order Appointing Commissioner as Permanent Receiver for Physicians Benefit Resources Risk Retention Group, Inc., Order of Liquidation, and Other Permanent Relief (the "Permanent Receivership and Liquidation Order") was entered by the Court.

On June 12, 2014, then Commissioner Scott J. Kipper, as Permanent Receiver of the Company, retained David E. Wilson as Receivership Manager. The Receivership Manager was authorized to retain the services of Scott Pearce of Regulatory Services Group (RSG) as his Receivership Supervisor, and other staff of RSG as necessary. As provided for by the

1 Permanent Receivership and Liquidation Order, the Receiver and Receivership Manager are
2 authorized to conduct the business of the Company and to administer its affairs for the
3 protection of all secured creditors, insureds, policyholders, and general creditors.

4 Amy L. Parks, Esq., was appointed to serve as Acting Nevada Commissioner
5 of Insurance upon the July 2, 2015, resignation of Nevada Insurance Commissioner Scott J.
6 Kipper.

7 II. RECEIVERSHIP ADMINISTRATION

8 A. Notices of Receivership and Notification to Interested Parties

9 The Receivership Manager believes it has given notice of the Receivership to all
10 interested parties, and has provided claim forms for all recognized potential creditors and
11 stakeholders. Additionally, the RSG website was updated with the notice and links to view the
12 permanent receivership and liquidation order.

13 The Receivership Manager published national legal notice of the liquidation proceeding
14 and proof of claim process on May 15, 2015, in the *Wall Street Journal* with notice of the
15 Claims Bar Date.

16 B. Proof of Claims Process

17 The Receivership Manager mailed legal notice together with Proof of Claims ("POC")
18 packets to all recognized potential creditors of the Company on May 15, 2015. The notice
19 advises creditors of the November 15, 2015, claims-bar-date. As reported by the last Status
20 Filing, the Receivership Manager has received four returned POCs. The four claims are:

21 (1) the Court approved \$1,000,000 policyholder class claim (priority b) in the Johnson
22 v. Cho matter; per Court approval \$950,000 has been paid and the residual \$50,000 appears
23 to be the sole remaining Class (b) obligation;

24 (2) the Nevada Commissioner's claim for unpaid pre-liquidation licensure of \$550
25 (priority e), likely to be approved and fully paid;

26 (3) Attorney Staub's unpaid invoices which don't have a claimed amount on the POC
27 but has less than \$4,000 in supporting billings (priority g); and

28 (4) Sterling Smith Insurance Services unpaid underwriting services in the amount of

1 \$111,279 (priority g).

2 In addition, a subsequent request for a POC packet from a shareholder has been
3 accommodated but not yet filed (priority l).

4 The Receivership Manager has reviewed all the POC filings per Exhibit "1" (filing
5 pursuant to NRS 696B.330.6). The Class (b) claim has been approved by the Court, the
6 Class (e) claim is straightforward and should be approved as submitted, but the two priority
7 Class (g) claims have issues that will require some clarification before they can be fully or
8 partially approved. That review effort should be concluded by the Nov. 15, 2015, Bar Date.
9 Assuming no additional POCs are filed, total POC liability should be determined before year-
10 end 2015.

11 **C. Policyholder Related Claims**

12 As noted, at the time of this Sixth Status Report, the Receivership Manager continues
13 to believe that there is a sole policyholder Class (b) claim which has been addressed and
14 approved by the Court., and it represents the entirety of PBR's policyholder claim liability
15 under NRS 696B.420(1)(b).

16 **D. Reinsurance**

17 The Receivership Manager has billed and collected the entire \$950,000 in reinsurance
18 proceeds due the PBR receivership estate. The Receivership Manager does not anticipate
19 any further reinsurance recoveries.

20 **E. Records and Assets Control**

21 The Receivership Manager believes it is in control of all known relevant books and
22 records of the Company.

23 **F. Financial Analysis**

24 As of September 30, 2015, the Company had a cash balance of \$92,060, and the
25 Receivership Manager is unaware of any other recoverable assets associated with the PBR
26 estate. The Company has a single \$50,000 policy-level, class (b) claim remaining to be paid
27 and estimates pre-liquidation service provider expense liabilities to be in excess of \$200,000.

28 The Receivership Manager has incurred approximately \$187,020 in class (a) administration

1 expenses from the June 2014 inception of the receivership proceeding through August 31,
2 2015. Additionally, the Receivership Manager has distributed \$950,000 towards the payment
3 of the receivership estate's \$1 million in class (b) policyholder liability. The Receivership
4 Manager, working with Langwasser and Associates, filed the 2014 Federal Tax Return on
5 behalf of the receivership estate. There were no estimated taxes due.

6 The Receivership Manager had a receipts-and-disbursements' review performed by a
7 third-party vendor for all amounts received and paid by the receivership estate from the
8 inception date of the receivership, June 17, 2014, through December 31, 2014. The review
9 was performed to determine whether the receipts and disbursements of the receivership were
10 properly supported and accounted for. The review report concluded that all invoices and
11 expenses were properly supported and accounted for and no findings were reported.

12 The Receivership Manager continues to monitor available cash while working to place
13 the receivership estate in the best possible position to pay the final \$50,000 in class (b)
14 policyholder claim liability and close the estate. While there never was a substantial amount
15 of money estimated to be available for distribution to remaining creditors, the receivership
16 expenses incurred to date to (1) actively facilitate the resolution of the policy claim; (2) collect
17 the resulting reinsurance; and (3) obtain court approval and distribute the reinsurance
18 proceeds has exhausted assets more quickly than originally projected. The receivership
19 estate still will have costs associated with other requirements to properly shut the estate (such
20 as filing tax returns) and must ensure that sufficient funds are reserved to do so.

21 III. CONCLUSION

22 In compliance with the Court's instructions for a status report regarding the affairs of
23 the Company, the Receivership Manager submits this report and remains available to present
24 further on any matters in this report as the Court may deem necessary.

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AFFIRMATION

Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding document, *Sixth Status Report*, filed in this case 14-OC-00114-1B, does not contain the personal information of any person.

DATED: October 8, 2015

Respectfully submitted:

Amy L. Parks, Acting Commissioner of Insurance
of the State of Nevada, in his Official Capacity as
Statutory Receiver of Delinquent Domestic Insurers

By:

SCOTT PEARCE
Regulatory Services Group
Receivership Supervisor

Respectfully submitted by:

ADAM PAUL LAXALT
Attorney General

By: RICHARD PAIN YIEN
Deputy Attorney General
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CERTIFICATE OF SERVICE

I hereby certify that I am an employee of the State of Nevada, Office of the Attorney General, and that on the 8th day of October 2015, I filed a copy of the foregoing **SIXTH STATUS REPORT** by depositing for mailing at Carson City, Nevada, a true and correct copy in first class mail, postage prepaid, fully addressed to:

**David E. Wilson
CEO, SDIC
Conservation and Liquidation Office
100 Pine Street, 26th Floor
San Francisco, CA 94111**

and via interoffice mail to:

**Amy L. Parks, Acting Commissioner of Insurance
Division of Insurance
Attn: Terri Verbrugghen
1818 E. College Parkway, Ste. 103
Carson, City, NV 89706**

Anne Goldy
An Employee of the
Office of the Attorney General

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LIST OF EXHIBITS

to
Sixth Status Report

Exhibit Number	Exhibit Description	Number of Pages [Does NOT include List or Exhibit Cover Page/s]
1	POC Filings Pursuant to NRS 696B.330(b)	1

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EXHIBIT 1
to
Sixth Status Report

EXHIBIT 1
to
Sixth Status Report

EXHIBIT "A"

PBR CLAIMS FILED Claims Report per NRS 696B.330(6)

POC No.	Claimant Name	Claimed Amount	Returned	Probable		
190039	Michael Johnson	\$1,000,000	Timely	(b)	Court Approved	
190019	Nevada Insurance Commissioner	\$550	Timely	(e)	To be approved	
190003	Richard Staub, LLP	Not stated	Timely	(g)	Evaluating	
190030	Sterling Smith	\$111,279	Timely	(g)	Evaluating	