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9 **IN THE FIRST JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**

10 **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 HIS )  
13 OFFICIAL CAPACITY AS STATUTORY ) Dept. No. 2  
14 RECEIVER FOR DELINQUENT DOMESTIC )  
15 INSURER, )  
16 Plaintiff, )  
17 vs. )  
18 PHYSICIANS BENEFIT RESOURCES RISK )  
19 RETENTION GROUP, INC. , a Nevada )  
20 Domiciled Association Captive Insurance )  
21 Company, )  
22 Defendant )  
23 )  
24 )  
25 )  
26 )  
27 )  
28 )

21 **SEVENTH STATUS REPORT**

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

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## I. INTRODUCTION AND HISTORICAL BACKGROUND

PBR was 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 was 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 Permanent Receivership and Liquidation Order, the Receiver and Receivership Manager are

1 authorized to conduct the business of the Company and to administer its affairs for the  
2 protection of all secured creditors, insureds, policyholders, and general creditors.

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

## 6 II. RECEIVERSHIP ADMINISTRATION

### 7 A. Notices of Receivership and Notification to Interested Parties

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

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

### 15 B. Proof of Claims Process

16 The Receivership Manager mailed legal notice together with Proof of Claims ("POC")  
17 packets to all recognized potential creditors of the Company on May 15, 2015. The notice  
18 advised creditors of the November 15, 2015, claims-bar-date. Six claims were timely filed and  
19 there have not been any requests for late-filing claims. We believe the six claims represent the  
20 entire population of claims. The six 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 where we have reached an agreement to resolve  
27 for an approved claim of \$1,820 after offset for an ostensible preference payment (priority g);

28 (4) Sterling Smith Insurance Services unpaid underwriting services which have been

1 approved for the amount of \$111,278.52 (priority g).

2 (5) Craig Benson's claim for \$6,812.50 for consulting services to PBR which is being  
3 investigated for a potential preference offset (priority g); and,

4 (6) Dr. Derrick Cho's claim for \$192,026.33 for inadequate defense coverage under the  
5 PBR liability policy covering the Michael Johnson claim (probable priority g). This claim has  
6 been tentatively rejected, but discussions are continuing.

7 The Receivership Manager has reviewed all six POC filings per Exhibit "1" (filing  
8 pursuant to NRS 696B.330.6). The Class (b) claim has been approved by the Court;  
9 the Class (e) claim is straightforward and will be approved as submitted; and of the four  
10 priority-(g) POCs, two have agreements in place and the other two are in active negotiation.  
11 Should either of the two claims currently being negotiated result in a Receiver's Determination  
12 and subsequent appeal, the Court will be so notified and procedures consistent with  
13 NRS 696B.330.7 and 696B.330.8 will be confirmed with the Court.

14 **C. Policyholder Related Claims**

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

19 **D. Reinsurance**

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

23 **E. Records and Assets Control**

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

26 **F. Financial Analysis**

27 As of November 30, 2015, the Company had a cash balance of \$75,948, and the  
28 Receivership Manager is unaware of any other recoverable assets associated with the

1 PBR estate. The Company has a single \$50,000 policy-level, class (b) claim remaining to be  
2 paid and estimates pre-liquidation service provider expense liabilities to be in excess of  
3 \$200,000. The Receivership Manager has incurred approximately \$202,174 in class (a)  
4 administration expenses from the June 2014 inception of the receivership proceeding through  
5 November 30, 2015. Additionally, the Receivership Manager has distributed \$950,000  
6 towards the payment of the receivership estate's \$1 million in class (b) policyholder liability.  
7 The Receivership Manager, working with Langwasser and Associates, filed the 2014 Federal  
8 Tax Return on behalf of the receivership estate. There were no estimated taxes due.

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

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

### 24 III. CONCLUSION

25 In compliance with the Court's instructions for a status report regarding the affairs of  
26 the Company, the Receivership Manager submits this report and remains available to present  
27 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, *Seventh Status Report*, filed in this case 14-OC-00114-1B, does not contain the personal information of any person.

DATED: January 13, 2016

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:

*Scott Pearce*  
SCOTT PEARCE  
Regulatory Services Group  
Receivership Supervisor

Respectfully submitted by:

**ADAM PAUL LAXALT**  
**Attorney General**

By:   
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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 13<sup>th</sup> day of January 2016, I served a copy of the foregoing **SEVENTH 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, 26<sup>th</sup> 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

# 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 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  
**Seventh Status Report**

**EXHIBIT 1**  
to  
**Seventh Status Report**

**EXHIBIT "A"****PBR CLAIMS FILED**  
**Claims Report per NRS 696B.330(6)**

POC No.	Claimant Name	Claimed Amount	Returned Date	Probable Priority	Approve Amount	Status
190039	Michael Johnson	\$1,000,000	Timely	(b)	\$1,000,000	Court Approved
190019	Nevada Insurance Commissioner	\$550.00	Timely	(e)	\$550.00	To be approved @ \$550.00
190003	Richard Staub, LLP	Not stated	Timely	(g)	\$1,820.00	Approved @ \$1,820.00
190030	Sterling Smith	\$111,278.52	Timely	(g)	\$111,278.52	To be approved @ \$111,248.52
190002	Craig Benson, Consultant	\$6,812.50	Timely	(g)		Evaluating Offset
190034	Derrick H. Cho	\$192,026.33	Timely	(g)		Tentative Rejection