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8 **IN THE FIRST JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
9 **IN AND FOR THE COUNTY OF CARSON CITY**

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

**NINTH STATUS REPORT;
MOTION TO DISTRIBUTE BALANCE
OF POLICYHOLDER (CLASS B)
CLAIM AND ENTIRETY
OF CLASS (E)**

20 **NINTH STATUS REPORT**

21 Plaintiff State of Nevada *ex rel.* Commissioner of Insurance, BARBARA D.
22 RICHARDSON (the "Commissioner"), in her capacity as Permanent Receiver of Physicians
23 Benefit Resources Risk Retention Group, Inc. ("PBR" or the "Company"), and REGULATORY
24 SERVICES GROUP ("RSG"), Receivership Manager of PBR, file this NINTH STATUS
25 REPORT in the above-captioned receivership.

26 **I. INTRODUCTION AND HISTORICAL BACKGROUND**

27 PBR was a captive insurance company operating as a risk retention group,
28 incorporated and organized under the Nevada Insurance laws and the Liability Risk Retention

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1 Act of 1986. The company was domiciled in the State of Nevada and received its Certificate of
2 Authority on July 20, 2010, and operated under the authority of Nevada Revised Statutes
3 ("NRS") Chapter 694C.

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

8 On December 31, 2012, the Company reported a Capital and Surplus balance of
9 \$149,013. In accordance with NRS 694C.250(1), the Company was unable to maintain the
10 required minimum Capital and Surplus balance of \$500,000. As a consequence of failing
11 to restore the minimum Capital and Surplus balance by April 30, 2013, the Company agreed
12 to a voluntary suspension of its Certificate of Authority. On June 26, 2013, the Company
13 filed a run-off plan with the Nevada Division of Insurance to begin the process of closing down
14 operations.

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

21 On June 12, 2014, then Commissioner Scott J. Kipper, as Permanent Receiver of the
22 Company, retained David E. Wilson as Receivership Manager. The Receivership Manager
23 was authorized to retain the services of Scott Pearce of Regulatory Services Group (RSG) as
24 his Receivership Supervisor, and other staff of RSG as necessary. As provided for by the
25 Permanent Receivership and Liquidation Order, the Receiver and Receivership Manager are
26 authorized to conduct the business of the Company and to administer its affairs for the
27 protection of all secured creditors, insureds, policyholders, and general creditors.

28 / / /

II. RECEIVERSHIP ADMINISTRATION

A. Notices of Receivership and Notification to Interested Parties

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

The Receivership Manager published national legal notice of the liquidation proceeding and proof of claim process on May 15, 2015, in the *Wall Street Journal* with notice of the claims bar date.

B. Proof of Claims Process

The Receivership Manager mailed legal notice together with Proof of Claims ("POC") packets to all recognized potential creditors of the Company on May 15, 2015. The notice advised creditors of the November 15, 2015, claims bar date. Six claims were timely filed and there have not been any requests for late filing claims. We believe the six claims represent the entire population of claims. The six claims are:

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

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

(3) Attorney Staub's unpaid invoices where an agreement to resolve an approved claim of \$1,820 after offset for an ostensible preference payment (priority g);

(4) Sterling Smith Insurance Services unpaid underwriting services which has been approved for the amount of \$111,278.52 (priority g).

(5) Craig Benson's claim for \$6,812.50 for consulting services to PBR (priority g); and,

(6) Dr. Derrick Cho's claim for \$192,026.33 for inadequate defense coverage under the PBR liability policy covering the Michael Johnson claim (probable priority g). This claim was rejected and no appeal was requested within the 60-day window allowed by NRS 696B330(7).

1 The Receivership Manager completed its review and determination of the six POC
2 filings per Exhibit "1" (filing pursuant to NRS 696B.330.6). The single policyholder Class (b)
3 claim (Johnson) has been approved by the Court and a partial distribution has occurred; the
4 Class (e) claim (Nevada Insurance Commissioner) is straightforward and will be approved as
5 submitted; and of the four priority (g) POCs, three have agreements in place, and the fourth
6 was rejected, and is now beyond an appeal period.

7 Based on commitments and projections through August 2016, the estate will have less
8 than \$20,000 to distribute to any approved claim below priority class (e). Since there will be
9 some remaining costs associated with closing the estate, the Receivership Manager proposes
10 to now distribute the remaining \$50,000 owed to the single Class (b) policyholder creditor
11 Michael Johnson, and \$550 to the sole Class (e) creditor, and then evaluate activities and
12 closing costs over the next 90 days before making a decision as to whether a very small
13 distribution can be made to the three Class (g) creditors whose claims total an aggregated
14 amount of \$119,911.02. The Receivership Manager believes that adequate money has been
15 retained to pay claims under NRS 696B.420(1)(a).

16 **C. Policyholder Related Claims**

17 There is a sole policyholder Class (b) claim which has been addressed and approved
18 by the Court, and it represents the entirety of PBR's policyholder claim liability under
19 NRS 696B.420(1)(b). The remaining \$50,000 to be paid on that claim has been reserved by
20 the estate which currently moves this Court to allow distribution of that amount.

21 **D. Reinsurance**

22 The Receivership Manager has billed and collected the entire \$950,000 in reinsurance
23 proceeds due the PBR receivership estate. As the bar date has passed and the estate is
24 concluding, there will be no further reinsurance activity.

25 **E. Records and Assets Control**

26 The Receivership Manager is in control of all known relevant books and records of the
27 Company.

28 / / /

1 **F. Financial Analysis**

2 As of May 31, 2016, the Company had a cash balance of \$66,670, and
3 the Receivership Manager is unaware of any other recoverable assets associated with the
4 PBR estate. The Company has sufficient assets to now pay the reserved \$50,000 policy-
5 level, class (b) claim remaining to be paid as well as the \$550 Class (e) claim. Pre-liquidation
6 service provider expense liabilities are fixed at \$119,911.02. The Receivership Manager has
7 incurred approximately \$228,215 in class (a) administration expenses from the June 2014
8 inception of the receivership proceeding through May 31, 2016. Additionally, the Receivership
9 Manager has distributed \$950,000 towards the payment of the receivership estate's \$1 million
10 in class (b) policyholder liability. The Receivership Manager, working with Langwasser and
11 Associates, is preparing the 2015 Federal Tax Return on behalf of the receivership estate.
12 The Receivership Manager anticipates there will be no estimated taxes due.

13 Consistent with 2015, the Receivership Manager completed a receipts-and-
14 disbursements' review performed by a third-party audit vendor for all amounts received and
15 paid by the receivership estate from January 1, 2015, to December 31, 2015. The review is
16 performed to determine whether the receipts and disbursements of the receivership were
17 properly supported and accounted for. The review identified one finding related to the timing
18 of payment of certain invoices.

19 The Receivership Manager will continue to monitor available cash while working to
20 determine precisely the costs associated with closing the estate. While there never was a
21 substantial amount of money estimated to be available for distribution to remaining general
22 creditors, the receivership expenses incurred to date actively support the release of the
23 remainder of the policy claim. The receivership estate still will have some costs associated
24 with other requirements to properly shut the estate (such as filing tax returns, document
25 destruction, notice requirements) and must ensure that sufficient funds are reserved to do so.
26 That number should be fixed within the next 90 days, and at that time, either a small
27 distribution to the general creditors will be made or the estate will close without such a
28 distribution, as there will be no assets to support the distribution.

III. CONCLUSION

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

AFFIRMATION

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

DATED: July 11, 2016

Respectfully submitted:

**Barbara D. Richardson, Commissioner of Insurance
of the State of Nevada, in her 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 PAILIYEN
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 11th day of July 2016, I filed a copy of the foregoing **NINTH 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:

**Barbara Richardson, Commissioner of Insurance
Division of Insurance
Attn: Terri Verbrugghen
1818 E. College Parkway, Ste. 103
Carson, City, NV 89706**

Carrie Goldy
An Employee of the
Office of the Attorney General

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LIST OF EXHIBITS

to
Ninth Status Report

Exhibit Number	Exhibit Description	Number of Pages [Does NOT include this List of Exhibits Page]
1	POC Filings Pursuant to NRS 696B.330(b)	2

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EXHIBIT 1
to
Ninth Status Report

EXHIBIT 1
to
Ninth Status Report

EXHIBIT "1"

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

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	Approved
Unlikely to have assets to pay claims below this level.						
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	Approved @ \$111,278.52
190002	Craig Benson, Consultant	\$6,812.50	Timely	(g)	\$6,812.50	Approved @ \$6,812.50
					\$119,911.02	Total
190034	Derrick H. Cho	\$192,026.33	Timely	(g)		Rejected