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8 **IN THE SECOND JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
9 **IN AND FOR THE COUNTY OF WASHOE**

10 STATE OF NEVADA, EX REL.)
11 COMMISSIONER OF INSURANCE, IN HIS)
12 OFFICIAL CAPACITY AS STATUTORY)
13 RECEIVER FOR DELINQUENT DOMESTIC)
14 INSURER,)

Case No. CV14-00807

Dept. No. B13

13 Plaintiff,

14 vs.

15 NATIONAL GUARANTY INSURANCE)
16 COMPANY, a Nevada Property and Casualty)
17 Company,)

18 Defendant.

19
20 **ORDER APPOINTING COMMISSIONER AS PERMANENT RECEIVER FOR**
21 **NATIONAL GUARANTY INSURANCE COMPANY, ORDER OF LIQUIDATION,**
22 **AND OTHER PERMANENT RELIEF**

23 This matter came before the Court on the May 6, 2014, on the Petition by the
24 Commissioner of Insurance filed on April 16, 2014, Scott J. Kipper ("Commissioner"), in his
25 official capacity as Interim Receiver, pursuant to Nevada Revised Statute ("NRS") 696B, for
26 the appointment of the Commissioner as the Permanent Receiver of NATIONAL GUARANTY
27 INSURANCE COMPANY, a Nevada Property and Casualty Company ("NGIC").

28 The Court having reviewed the points and authorities submitted by counsel and exhibits
in support thereof, and having heard arguments of counsel,

1 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that:

2 (1) Commissioner of Insurance, Scott J. Kipper ("Commissioner"), should be, and is
3 hereby, appointed Permanent Receiver of NGIC ("Receiver") and is hereby vested, in addition
4 to the powers set forth herein, with all the powers and authority expressed or implied under
5 the provisions of Chapter 696B of the Nevada Revised Statute ("NRS"), and any other
6 applicable law. The Receiver may do all acts necessary or appropriate for the conservation,
7 rehabilitation, or liquidation of Defendants.

8 (2) NGIC is hereby found insolvent and ordered liquidated pursuant to Chapter
9 696B of NRS.

10 (3) The Receiver is hereby vested with exclusive title both legal and equitable to all
11 of Defendant's assets, books, records, property, real and personal, including all property or
12 ownership rights, choate or inchoate, whether legal or equitable of any kind or nature,
13 including but not limited to all causes of action, defenses, letters of credit relating to the
14 Defendant or its business, all stocks, bonds, certificates of deposit, cash, cash equivalents,
15 contract rights, reinsurance contracts and reinsurance recoverables, in force insurance
16 contracts and business, deeds, mortgages, leases, book entry deposits, bank deposits,
17 certificates of deposit, evidences of indebtedness, bank accounts, securities of any kind or
18 nature, both tangible and intangible, including but without being limited to any special,
19 statutory or other deposits or accounts made by or for Defendant with any officer or agency of
20 any state government or the federal government or with any banks, savings and loan
21 associations, or other depositories and including such property of Defendant which may be
22 discovered hereafter, wherever the same may be located and in whatever name or capacity it
23 may be held (all of the foregoing being hereinafter referred to as the "Property"), and is hereby
24 directed to take immediate and exclusive possession and control of same. In addition to
25 vesting title to all of the Property in the Receiver or his successors, the said Property is hereby
26 placed in the *custodia legis* of this Court. Commissioner, in his capacity as Receiver, and the
27 Court, hereby assume and exercise sole and exclusive jurisdiction over all the Property and
28 any claims or rights respecting such Property to the exclusion of any other court or tribunal.

1 such exercise of sole and exclusive jurisdiction being hereby found to be essential to the
2 safety of the public and of the claimants against Defendant.

3 (4) The Receiver is authorized to employ and to fix the compensation of such
4 deputies, counsel, employees, accountants, actuaries, investment counselors, asset
5 managers, consultants, assistants and other personnel as he considers necessary. Any
6 Deputy Receiver or appointed by the Receiver pursuant to this Order shall exercise all of the
7 authority of the Receiver pursuant hereto subject only to oversight by the Receiver and the
8 Court. All compensation and expenses of such persons, and of taking possession of
9 Defendant, and conducting this proceeding, shall be paid out of the funds and assets of
10 Defendant in accordance with NRS 696B.290.

11 (5) All persons, corporations, partnerships, associations and all other entities
12 wherever located, are hereby enjoined and restrained from interfering in any manner with the
13 Receiver's possession of the property or his title to or right therein and from interfering in any
14 manner with the conduct of the receivership of Defendant. Said persons, corporations,
15 partnerships, associations and all other entities are hereby enjoined and restrained from
16 wasting, transferring, selling, disbursing, disposing of, or assigning the Property and from
17 attempting to do so.

18 (6) All claims against Defendant or its assets must be submitted to the Receiver as
19 specified herein to the exclusion of any other method of submitting or adjudicating such claims
20 in any forum, court, or tribunal subject to the further Order of the Court. The Receiver is
21 hereby authorized to adopt a Receivership Appeal Procedure to facilitate the orderly
22 disposition or resolution of claims or controversies involving the receiverships or the
23 receivership estates.

24 (7) The Receiver may change to his own name the name of any of Defendant's
25 accounts, funds or other property or assets held with any bank, savings and loan association
26 or other financial institution, wherever located, and may withdraw such funds, accounts and
27 other assets from such institutions or take any lesser action necessary for the proper conduct
28 of the receivership.

1 (8) All secured creditors or parties, pledge holders, lien holders, collateral holders or
2 other persons claiming secured, priority or preferred interest in any property or assets of
3 Defendant, including any governmental entity, are hereby enjoined from taking any steps
4 whatsoever to transfer, sell, encumber, attach, dispose of or exercise purported rights in or
5 against the Property.

6 (9) The officers, directors, trustees, partners, affiliates, agents, creditors, insureds,
7 employees and policyholders of Defendant, and all other persons or entities of any nature
8 including, but not limited to, claimants, plaintiffs, petitioners, and any governmental agencies
9 who have claims of any nature against Defendant, including cross-claims, counterclaims and
10 third party claims, are hereby permanently enjoined and restrained from doing or attempting to
11 do any of the following except in accordance with the express instructions of the Receiver:

12 a) conducting any portion or phase of the business of Defendant;

13 b) commencing, bringing, maintaining or further prosecuting any action at
14 law, suit in equity, arbitration, or special or other proceeding against Defendant or its
15 estate, or the Receiver and his successors in office, as Receiver thereof, or any person
16 appointed pursuant to paragraph 3 hereinabove;

17 c) making or executing any levy upon, selling, hypothecating, mortgaging,
18 wasting, conveying, dissipating, or asserting control or dominion over the Property or
19 the estate of Defendant;

20 d) seeking or obtaining any preferences, judgments, foreclosures,
21 attachments, levies, or liens of any kind against the Property;

22 e) interfering in any way with these proceedings or with the Receiver, or
23 any successor in office, in his acquisition of possession of, the exercise of dominion or
24 control over, or his title to the Property, or in the discharge of his duties as Receiver
25 thereof; or

26 f) commencing, maintaining or further prosecuting any direct or indirect
27 actions, arbitrations, or other proceedings against any insurer of Defendants for
28 proceeds of any policy issued to Defendants.

1 (10) However, notwithstanding any other provision of this Order, the commencement
2 of conservatorship, receivership, liquidation or other delinquency proceedings against
3 Defendant in another jurisdiction by an official lawfully authorized to commence such
4 proceeding shall not constitute a violation of this Order.

5 (11) No bank, savings and loan association or other financial institution shall, without
6 first obtaining permission of the Receiver, exercise any form of set-off, alleged set-off, lien, or
7 other form of self-help whatsoever or refuse to transfer the Property to the Receiver's control.

8 (12) The Receiver shall have the power:

9 (a) to collect all debts and monies due and claims belonging to Defendant,
10 wherever located, and for this purpose: (i) to institute and maintain timely actions in
11 other jurisdictions, in order to forestall garnishment and attachment proceedings
12 against such debts; (ii) to do such other acts as are necessary or expedient to marshal,
13 collect, conserve or protect its assets or property, including the power to sell,
14 compound, compromise or assign debts for purposes of collection upon such terms
15 and conditions as he deems appropriate, and the power to initiate and maintain actions
16 at law or equity or any other type of action or proceeding of any nature, in this and
17 other jurisdictions; (iii) to pursue any creditor's remedies available to enforce his claims;

18 (b) to conduct public and private sales of the assets and property of
19 Defendant, including any real property;

20 (c) To acquire, invest, deposit, hypothecate, encumber, lease, improve, sell,
21 transfer, abandon, or otherwise dispose of or deal with any asset or property of
22 Defendant, and to sell, reinvest, trade or otherwise dispose of any securities or bonds
23 presently held by, or belonging to, Defendant upon such terms and conditions as he
24 deems to be fair and reasonable, irrespective of the value at which such property was
25 last carried on the books of Defendant. He shall also have the power to execute,
26 acknowledge and deliver any and all deeds, assignments, releases and other
27 instruments necessary or proper to effectuate any sale of property or other transaction
28 in connection with the receivership:

- 1 (d) to borrow money on the security of Defendant's assets, with or without
2 security, and to execute and deliver all documents necessary to that transaction for the
3 purpose of facilitating the receivership;
- 4 (e) to enter into such contracts as are necessary to carry out this Order, and
5 to affirm or disavow any contracts to which Defendant is a party;
- 6 (f) to institute and to prosecute, in the name of Defendant or in his own
7 name, any and all suits and other legal proceedings, to defend suits in which Defendant
8 or the Receiver is a party in this state or elsewhere, whether or not such suits are
9 pending as of the date of this Order, to abandon the prosecution or defense of such
10 suits, legal proceedings and claims which he deems inappropriate, to pursue further
11 and to compromise suits, legal proceedings or claims on such terms and conditions as
12 he deems appropriate;
- 13 (g) to prosecute any action which may exist on behalf of the policyholders,
14 insureds or creditors, of Defendant against any officer or director of Defendant, or any
15 other person;
- 16 (h) to remove any or all records and other property of Defendant to the
17 offices of the Receiver or to such other place as may be convenient for the purposes of
18 the efficient and orderly execution of the receivership; and to dispose of or destroy, in
19 the usual and ordinary course, such of those records and property as the Receiver may
20 deem or determine to be unnecessary for the receivership;
- 21 (i) to file any necessary documents for recording in the office of any recorder
22 of deeds or record office in this County or wherever the Property of Defendant is
23 located;
- 24 (j) to intervene in any proceeding wherever instituted that might lead to the
25 appointment of a conservator, receiver or trustee of Defendant or its subsidiaries, and
26 to act as the receiver or trustee whenever the appointment is offered;
- 27 (k) to enter into agreements with any ancillary receiver of any other state as
28 he may deem to be necessary or appropriate; and

1 (l) to perform such further and additional acts as he may deem necessary or
2 appropriate for the accomplishment of or in aid of the purpose of the receivership, it
3 being the intention of this Order that the aforestated enumeration of powers shall not be
4 construed as a limitation upon the Receiver;

5 (m) terminate and disavow the authority previously granted Defendant's
6 agents or marketing representatives to represent them in any respect, including the
7 underlying agreements, and any continuing payment obligations created therein, as of
8 the receivership date, with reasonable notice to be provided and agent compensation
9 accrued prior to any such termination or disavowal to be deemed a general creditor
10 expense of the receivership;

11 (n) to affirm, reject, or disavow any leases or executory contracts to which
12 Defendant is a party at such times as they deem appropriate under the circumstances,
13 provided that payment due for any goods or services received after appointment of the
14 Commissioner as Receiver, with his consent, will be deemed to be an administrative
15 expense of the receivership, and provided further that other unsecured amounts
16 properly due under the disavowed contract, and unpaid solely because of such
17 disavowal, will give rise to a general unsecured creditor claim in the Receivership
18 proceeding;

19 (o) to institute and to prosecute, in the name of Defendant or in their own
20 name, any and all suits and other legal proceedings, to defend suits in which any
21 Respondent or the Receiver is a party in this state or elsewhere, whether or not such
22 suits are pending as of the date of this Order, to abandon the prosecution or defense of
23 suits, legal proceedings and claims which the Receiver deems inappropriate to pursue
24 further and to compromise suits, legal proceedings, or claims on such terms and
25 conditions as the Receiver deems appropriate;

26 (p) to prosecute any action which may exist on behalf of the subscribers,
27 members, insureds, policyholders, or creditors of Defendant against any officer or
28 director of Defendant, or any other person.

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(q) Defendant, its officers, directors, partners, agents and employees, any person acting in concert with them, and all other persons, having any property or records belonging to Defendant, including data processing information and records of any kind such as, by way of example only, source documents, are hereby ordered and directed to surrender custody and to assign, transfer and deliver to the Receiver all of such property in whatever name the same may be held, and any persons, firms or corporations having any books, papers or records relating to the business of Defendant shall preserve the same and submit these to the Receiver for examination at all reasonable time. Any property, books, or records asserted to be simultaneously the property of Defendant and other parties, or alleged to be necessary to the conduct of the business of other parties though belonging in part or entirely to Defendant, shall nonetheless be delivered immediately to the Receiver who shall make reasonable arrangements for copies or access for such other parties without compromising the interests of the Receiver or the Defendant;

(13) All persons, corporations, associations, and all other entities wherever located, are hereby enjoined and restrained from interfering in any manner with the Receiver's possession of the Property or their title to or right therein and from interfering in any manner with the conduct of the receivership of Respondents. Said persons, corporations, associations, and all other entities are hereby enjoined and restrained from wasting, transferring, selling, disbursing, disposing of, or assigning the Property and from attempting to do so.

(14) All secured creditors or parties, pledge holders, lien holders, collateral holders, or other persons claiming secured, priority, or preferred interest in any property or assets of Respondents, including any governmental entity, are hereby enjoined from taking any steps whatsoever to transfer, sell, encumber, attach, dispose of, or exercise purported rights in or against the Property without the consent of the Receiver.

1 (15) Nothing in this Order may be construed as to prevent the Nevada Life and
2 Health Insurance Guaranty Association and the Nevada Insurance Guaranty Association from
3 exercising their respective powers under Title 57 of the NRS.

4 (16) In addition to that provided by statute or by the Defendant's policies or contracts,
5 the Receiver may, at such time he deems appropriate, without prior notice, subject to the
6 following provisions, impose such full or partial moratoria or suspension upon the payments or
7 other obligations which arise as sums due under the policies or contracts issued by
8 Defendant, provided that

9 (a) Any such suspension or moratorium shall apply in the same manner or to
10 the same extent to all policies or contracts of the same type or to the particular types or
11 payments due thereunder. However, the Receiver may, in his sole discretion, impose
12 the same upon only certain types, but not all, of the payments due under any particular
13 type of contract or policy.

14 (b) Notwithstanding any other provision of this Order, the Receiver may
15 implement a procedure for the exemption from any such moratorium or suspension,
16 those hardship claims, as he may define them, that he, in his sole discretion, deems
17 proper under the circumstances.

18 (17) The Receiver shall only impose such moratorium or suspension when the same
19 is not specifically provided for by contract or statute as part, or in anticipation, of a plan for the
20 partial or complete rehabilitation of Defendant or when necessary to determine whether such
21 partial or complete rehabilitation is reasonably feasible.

22 (18) Under no circumstances shall the Receiver be liable to any person or entity for
23 his good faith decision to impose, or to refrain from imposing, such policy lien, moratorium or
24 suspension.

25 (19) Notice of such policy lien, moratorium or suspension, which may be by
26 publication, shall be provided to the holders of all policies or contracts affected thereby.

27 (20) Except as provided herein, all rights and liabilities of the Defendant's members,
28 insureds, policyholders, creditors, subscribers, stockholders, and other persons interested in

1 the assets of Defendant, shall be fixed as of the date of the entry of this order to liquidate, as
2 provided under NRS 696B.400.

3 (21) The Receiver and all deputies, special deputies, attorneys, accountants,
4 actuaries, investment counselors, asset managers, peace officers and other consultants are
5 deemed to be public officers acting in their official capacities on behalf of the state and shall
6 have no personal liability for or arising out of their acts or omissions performed in good faith in
7 connection with their services performed in connection with these or related proceedings or
8 pursuant to this or related orders except as regards claims by the Receiver.

9 (22) No judgment, order, attachment, garnishment sale, assignment, transfer,
10 hypothecation, lien, security interest or other legal process of any kind with respect to or
11 affecting the Defendant or the Property shall be effective or enforceable or form the basis for a
12 claim against Defendant or the Property unless entered by the Court, or unless the Court has
13 issued its specific order, upon good cause shown and after due notice and hearing, permitting
14 same.

15 (23) All costs, expenses, fees or any other charges of the Receivership, including
16 but not limited to fees and expenses of accountants, peace officers, actuaries, investment
17 counselors, asset managers, attorneys, special deputies, and other assistants employed by
18 the Receiver, the giving of the Notice required herein, and other expenses incurred in
19 connection herewith shall be paid from the assets of Defendant. Provided, further, that the
20 Receiver may, in his sole discretion, require third parties, if any, who propose rehabilitation
21 plans with respect to Defendant to reimburse the estate of Defendant for the expenses,
22 consulting or attorney's fees and other costs of evaluating and/or implementing any such plan.

23 (24) If any provision of this Order or the application thereof is for any reason held to
24 be invalid, the remainder of this Order and the application thereof to other persons or
25 circumstances shall not be affected thereby.

26 (25) The Receiver may at any time make further application for such further and
27 different relief as he sees fit.

28

Office of the Attorney General
100 North Carson Street
Carson City, Nevada 89701-4717

1 (26) The Court shall retain jurisdiction for all purposes necessary to effectuate and
2 enforce this Order.

3 (27) The Receiver is authorized to deliver to any person or entity a certified copy of
4 this Order, or of any subsequent order of the Court, such certified copy, when so delivered,
5 being deemed sufficient notice to such person or entity of the terms of such Order. But nothing
6 herein shall relieve from liability, nor exempt from punishment by contempt, any person or
7 entity who, having actual notice of the terms of any such Order, shall be found to have
8 violated the same.

9 (28) The Receiver or Special Deputy Receiver shall file with the Court quarterly
10 reports in summary form of the affairs of NGIC under receivership.

11 (29) The first Status Report is due July 12, 2014.

12 DATED this 12 day of June, 2014.

13
14 Budney E. Ross
15 DISTRICT JUDGE
16

17
18 Respectfully submitted by:

19 CATHERINE CORTEZ MASTO
20 Attorney General

21 By: [Signature]
22 RICHARD PAULI YIEN, ESQ
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24 Nevada Bar No. 13035
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