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12 Attorney for the Division of Insurance

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

10 **IN AND FOR THE COUNTY OF WASHOE**

11	STATE OF NEVADA, EX REL.	)	Case No. CV14-00807
12	COMMISSIONER OF INSURANCE, IN HIS	)	Dept. No. B13
13	OFFICIAL CAPACITY AS STATUTORY	)	
14	RECEIVER FOR DELINQUENT DOMESTIC	)	
15	INSURER,	)	
16		)	
17	Plaintiff,	)	
18		)	
19	vs.	)	
20		)	
21	NATIONAL GUARANTY INSURANCE	)	
22	COMPANY, a Nevada Domiciled Property and	)	
23	Casualty Company,	)	
24		)	
25		)	
26	Defendant.	)	
27		)	
28		)	

20 **SECOND STATUS REPORT**

21 Scott J. Kipper, Commissioner of Insurance (the "Commissioner") for the State of  
22 Nevada in his capacity as Permanent Receiver of National Guaranty Insurance Company  
23 ("NGIC" or the "Company"), and Regulatory Services Group ("RSG"), Receivership Manager  
24 of NGIC, file this Second Status Report in the above-captioned receivership.

25 **I. INTRODUCTION AND HISTORICAL BACKGROUND**

26 NGIC is a Property and Casualty Company organized under the Nevada Insurance  
27 laws. The company is a stock insurer as defined in Nevada Revised Statutes  
28

1 ("NRS") 694C.150. The company received its Certificate of Authority on July 26, 2013, after  
2 re-domesticating from Arizona.

3 On May 6, 2014, the Nevada Insurance Commissioner was appointed as Interim  
4 Receiver of NGIC by the Second Judicial District Court of the State of Nevada.

5 Commissioner Kipper, as Interim Receiver of NGIC, retained David E. Wilson,  
6 Regulatory Services Group ("RSG"), as Receivership Manager. The Receivership Manager  
7 was authorized to retain the services of Joseph B. Holloway, Jr. of INS Consultants, Inc. as  
8 his Receivership Supervisor. As provided for by the Receivership Order, the Receiver and  
9 Receivership Manager are authorized to conduct the business of NGIC and to administer its  
10 affairs for the protection of all secured creditors, insureds, policyholders, and general  
11 creditors.

12 On June 12, 2014, the Court appointed the Nevada Insurance Commissioner as  
13 Permanent Receiver of NGIC and an order of liquidation was issued. The Permanent  
14 Receivership and Liquidation Order found NGIC to be insolvent and ordered liquidated  
15 pursuant to Chapter 696B of NRS.

## 16 **II. RECEIVERSHIP ADMINISTRATION**

### 17 **A. Notices of Receivership and Notification of Interested Parties**

18 The Receivership Manager prepared and mailed notices of receivership  
19 apprising interested parties of the receivership and pending liquidation of NGIC. The notice  
20 contained contact information for questions and where to find copies of the receivership  
21 orders. Additionally, the RSG website, as well as NGIC's website, was updated with the  
22 notice and links to view the interim and permanent receivership orders. The Receivership  
23 Manager also transferred over 200 litigated files from outside counsel to the Nevada  
24 Insurance Guaranty Association. Notices continue to be sent to outside vendors as we  
25 become aware of them.

### 26 **B. Policyholder Related Claims**

27 NGIC had in excess of 600 claims with stated loss reserves in excess of  
28

1 \$5 million at the date of liquidation. The Receivership Manager has worked with the Nevada  
2 Insurance Guaranty Association ("NIGA") to transfer electronic UDS records to them in order  
3 for NIGA to fulfill their statutory duties and pay these claims on behalf of NGIC. In addition,  
4 the Receivership Manager provided NIGA with an external hard drive with images of all  
5 closed, NGIC claims.

#### 6 **C. Lindsay General Insurance Agency Bankruptcy**

7 NGIC has a \$5 million receivable on its books from Lindsay General Insurance  
8 Agency ("Lindsay"), an affiliate. Lindsay filed for bankruptcy protection on February 7, 2013.  
9 NGIC has filed a claim for the \$5 million in the Lindsay bankruptcy but is not likely to recover a  
10 material amount. Lindsay is trying to re-organize and emerge from bankruptcy as an  
11 insurance lead generation company. Their plan of re-organization has not been approved  
12 by the Bankruptcy Court, and the Receivership Manager continues to monitor the case. NGIC  
13 has filed a claim in the bankruptcy and will await the submission and approval of a plan of re-  
14 organization with the Bankruptcy Court.

#### 15 **D. Preference Transactions**

16 The Receivership Manager has made an initial review of transactions that  
17 occurred within four months of the petition for the appointment of a receiver for NGIC in  
18 accordance with NRS 696B.410(1)&(2) (and up to two years for officers and directors). The  
19 Receivership Manger will be making a recommendation to the Receiver and Nevada Attorney  
20 General's Office before the next quarterly status report to this Court.

#### 21 **E. Financial Analysis**

22 On June 30, 2014, NGIC had liquid assets of \$543,054 and liabilities in excess of  
23 \$6,000,000. The Receiver incurred \$151,459 in operating expenses during May and June of  
24 2014. Based on the financial condition of NGIC, the Receiver likely will petition the  
25 Receivership Court to forego the expense of a "proof of claim" process. There doesn't appear  
26 to be a scenario where assets would be available to distribute to claimants below the  
27 policyholder and claimant class. Additionally, due to the lack of funds in NGIC, the  
28

1 Receivership Manager will attempt to complete its remaining tasks by the end of the second  
2 quarter of 2015 and ask for a closing order at that point.

3 **III. CONCLUSION**

4 In compliance with the Court's instructions for a status report regarding the affairs  
5 of NGIC, the Receivership Manager has submitted the aforementioned report and remains  
6 available to present further on any matters in this report as the Court may deem necessary.

7 **AFFIRMATION**

8 Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding  
9 document, Second Status Report, filed in case number CV13-00962, does not contain the  
10 social security number of any person

11 DATED: October 7, 2014

Respectfully submitted:

12 Scott J. Kipper, Commissioner of Insurance  
13 of the State of Nevada, in his Official Capacity as  
14 Statutory Receiver of Delinquent Domestic Insurers

15 By: /s/ Joseph B Holloway, Jr  
16 INS Consultants, Inc.  
17 Regulatory Services Group  
18 Receivership Supervisor

19 Respectfully submitted by:

20 CATHERINE CORTEZ MASTO  
21 Attorney General

22 By: /s/ Richard Yien  
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1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I am an employee of the State of Nevada, Office of the Attorney  
3 General, and that on this 7<sup>th</sup> day of October 2014, I filed a copy of the foregoing **SECOND**  
4 **STATUS REPORT** via Second Judicial District Court's eflex filing system, and, by mailing, at  
5 Carson City, Nevada, a true and correct copy in first class mail, postage prepaid, fully  
6 addressed to:

7  
8 David E. Wilson  
9 CEO, SDIC  
10 Conservation and Liquidation Office  
11 100 Pine Street, 26<sup>th</sup> Floor  
12 San Francisco, CA 94111

11 Bruce W. Gilbert  
12 Executive Director  
13 Nevada Insurance Guaranty Association  
14 3821 W. Charleston Blvd., Suite 100  
15 Las Vegas, NV 89102-1859

14 and via interoffice mail to:

15 Scott Kipper, Commissioner of Insurance  
16 Attn: Terri Verbrugghen  
17 1818 E. College Parkway, Ste. 103  
18 Carson, City, NV 89706

19  
20 /s/ Anne Goldy  
21 An Employee of the  
22 Office of the Attorney General  
23  
24  
25  
26  
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