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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)
13 OFFICIAL CAPACITY AS STATUTORY) Dept. No. B13
14 RECEIVER FOR DELINQUENT DOMESTIC)
15 INSURER,)
16)
17) Plaintiff,)
18)
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20)
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22)
23)
24) vs.)
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26)
27) NATIONAL GUARANTY INSURANCE)
28) COMPANY, a Nevada Domiciled Property and)
Casualty Company,)
Defendant)

21 **FOURTH STATUS REPORT**

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

26 **INTRODUCTION AND HISTORICAL BACKGROUND**

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

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 and Regulatory Services Group as Receivership Manager. The Receivership Manager
7 was authorized to retain the services of Joseph B. Holloway, Jr. of INS Consultants, Inc.
8 as his Receivership Supervisor. As provided for by the Receivership Order, the Receiver
9 and Receivership Manager are authorized to conduct the business of NGIC and to
10 administer its affairs for the protection of all secured creditors, insureds, policyholders, and
11 general 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 NGIC liquidated
15 pursuant to Chapter 696B of NRS.

16 RECEIVERSHIP ADMINISTRATION

17 A. Motion to Modify the Claims Process

18 On October 23, 2014, the Receiver filed a Motion to Modify the Claims Process Per
19 Recommendation of Receiver Pursuant to NRS 696B.330(4). The hearing on the motion to
20 modify the claims process was held on January 26, 2015. The Receiver was seeking to
21 forego the expense of implementing a proof-of-claims' process beyond the administration
22 class since there are insufficient assets in the estate to pay claims below that level. Judge
23 Robb granted the motion on January 28, 2015.

24 B. Policyholder Related Claims

25 NGIC had in excess of 600 claims with stated loss reserves in excess of \$5 million at
26 the date of liquidation. The Receivership Manager has worked with the Nevada Insurance
27 Guaranty Association ("NIGA") to transfer electronic UDS records to them in order for NIGA to
28

1 fulfill their statutory duties and pay these claims on behalf of NGIC. In addition, the
2 Receivership Manager provided NIGA with an external hard drive with images of all closed
3 NGIC claims.

4 **C. Lindsay General Insurance Agency Bankruptcy**

5 NGIC has a \$5 million receivable from Lindsay General Insurance Agency ("Lindsay"),
6 an affiliate. Lindsay filed for bankruptcy protection on February 7, 2013. NGIC has filed a
7 claim for the \$5 million debt but is not likely to recover a material amount from the filing of their
8 claim. Lindsay is trying to re-organize and emerge from bankruptcy as an insurance lead
9 generation company. Their plan of re-organization has not been approved by the Court, and
10 the Receivership Manager continues to monitor the case. The Receivership Manager has
11 filed a claim in the bankruptcy and will await the submission and approval of a plan of re-
12 organization with the Bankruptcy Court. Any recovery on this receivable, although highly
13 unlikely, will be distributed to the Nevada Insurance Guaranty Association.

14 **D. Preference Transactions**

15 The Receivership Manager has reviewed the transactions that occurred within one year
16 of the petition for the appointment of a receiver for NGIC in accordance with NRS 696B.412.
17 The Receivership Manger has made a recommendation to the Nevada Attorney General's
18 Office to pursue a preference claim against the former President of NGIC for expenses paid
19 by the Company for the formation of a new insurance company, "Clarity Insurance Company",
20 being formed by the former President of NGIC. The total amount of the preference payments
21 that likely will be pursued is \$48,000. Formal demand letters were made to John Ratzel,
22 former President of NGIC, in December, 2014. A final demand will be made prior to filing a
23 lawsuit to recover these funds.

24 **E. Voidable Sale of Mortgage Loans**

25 The Receivership Manager has reviewed the transactions that occurred within four
26 months of the petition (and up to two years for officers and directors) for the appointment of
27 a receiver for NGIC in accordance with NRS 696B.410(1)&(2). The Receivership Manger has
28

1 made a recommendation to the Nevada Attorney General's Office to pursue a voidable
2 preference claim against the former President of NGIC for selling mortgage loans with
3 a statutory value of \$2,114,837 for \$900,000.

4 **F. Financial Analysis**

5 At December 31, 2014, NGIC had liquid assets of \$415,688 and liabilities in excess
6 of \$6,000,000. The Receiver incurred \$73,670 in administrative expenses during the fourth
7 quarter of 2014. Additionally, due to the lack of funds in NGIC, the Receivership Manager will
8 attempt to complete their remaining tasks by the end of the third quarter of 2015 and ask for a
9 closing order at that point.

10 **I. CONCLUSION**

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

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AFFIRMATION

Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding document, Status Report, filed in case number CV14-00807, does not contain the social security number of any person.

DATED: March 26, 2015

Respectfully submitted:

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

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

Respectfully submitted by:

ADAM PAUL LAXALT
Attorney General

By: /s/ Richard Paili Yien
RICHARD PAILI YIEN
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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 this 26th day of March, 2015, I filed a copy of the foregoing **STATUS REPORT** as follows:

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

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

and via interoffice mail to:

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

 /s/ Anne Goldy
An Employee of the
Office of the Attorney General