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

21 **FIFTH 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 Fifth 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

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100 North Carson Street  
Carson City, Nevada 89701-4717

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, 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 forego  
21 the expense of implementing a proof of claim process beyond the administration class since  
22 there are insufficient assets in the estate to pay claims below that level. Judge Robb agreed  
23 and granted the motion on January 28, 2015.

### 24 B. Policyholder Related Claims

25 At liquidation, NGIC had in excess of 600 claims with stated loss reserves in excess of  
26 \$6 million at the date of liquidation. The Receivership Manager has worked with the Nevada  
27 Insurance Guaranty Association ("NIGA") to transfer electronic records to them in order for  
28

1 NIGA to fulfill their statutory duties and pay these claims on behalf of NGIC. NIGA has paid  
2 loss and loss adjustment expenses (LAE) payments of \$4,412,758 and has outstanding loss  
3 and LAE reserves of \$2,334,499 at March 31, 2015.

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

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

15 **D. Preference Transactions**

16 The Receivership Manager has reviewed the transactions that occurred within one year  
17 of the petition for the appointment of a receiver for NGIC in accordance with NRS 696B.412.  
18 The Receivership Manger has made a recommendation to the Nevada Attorney General's  
19 Office to pursue a preference claim against the former President of NGIC for expenses paid  
20 by the Company relating to the formation of a new insurance company, "Clarity Insurance  
21 Company", being formed by the former President of NGIC. The total amount of the  
22 preference payments that likely will be pursued is \$48,000. A formal demand will be made  
23 prior to filing a 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  
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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 March 31, 2015, NGIC had liquid assets of \$298,803 and liabilities in excess of  
6 \$8,000,000. The Receiver incurred \$46,498 in administrative expenses during the first quarter  
7 of 2015. Additionally, due to the lack of funds in NGIC, the Receivership Manager will attempt  
8 to complete the remaining tasks by the end of the fourth quarter of 2015 and ask for a closing  
9 order from the court at that point.

10 The Receivership Manager had a cash receipts and disbursements review performed  
11 by a third party for all amounts received and paid by the estate from the date of liquidation to  
12 December 31, 2014. The review was performed to determine whether the receipts and  
13 disbursements of the estate were properly supported and accounted for. No findings were  
14 made in their report.

15 **G. CONCLUSION**

16 In compliance with the Court's instructions for a status report regarding the affairs  
17 of the Company, the Receivership Manager has submitted the aforementioned report  
18 and remains available to present further on any matters in this report as the Court may  
19 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: July 7, 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  
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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 July 7, 2015, I electronically served a true and correct copy of the foregoing **STATUS REPORT** at the e-mail addresses listed below:

David E. Wilson  
CEO, SDIC  
Conservation and Liquidation Office  
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Scott Kipper, Commissioner of Insurance  
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/s/ Anne Goldy  
An Employee of the  
Office of the Attorney General