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13 **IN THE SECOND JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
14 **IN AND FOR THE COUNTY OF WASHOE**

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

26 **SEVENTH STATUS REPORT**

27 Amy L. Parks, Acting Commissioner of Insurance (the "Commissioner") for the State
28 of Nevada in her capacity as Permanent Receiver of National Guaranty Insurance Company
("NGIC" or the "Company"), and Regulatory Services Group ("RSG"), Receivership Manager
of NGIC, file this Seventh Status Report in the above-captioned receivership.

29 **INTRODUCTION AND HISTORICAL BACKGROUND**

30 NGIC is a Property and Casualty Company organized under the Nevada Insurance
31 laws. The company is a stock insurer as defined in Nevada Revised Statutes
32 ("NRS") 694C.150. The company received its Certificate of Authority on July 26, 2013, after

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1 re-domesticating from Arizona.

2 On May 6, 2014, the Nevada Insurance Commissioner was appointed as
3 interim Receiver of NGIC by the Second Judicial District Court of the State of Nevada. David
4 E. Wilson and Regulatory Services Group were retained as Receivership Manager. The
5 Receivership Manager was authorized to retain the services of Joseph B. Holloway, Jr. of INS
6 Consultants, Inc. as his Receivership Supervisor. As provided for by the Receivership Order,
7 the Receiver and Receivership Manager are authorized to conduct the business of NGIC and
8 to administer its affairs for the protection of all secured creditors, insureds, policyholders, and
9 general creditors.

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

14 Amy L. Parks, Esq., was appointed to serve as Acting Nevada Commissioner
15 of Insurance upon the July 2, 2015, resignation of Nevada Insurance Commissioner Scott J.
16 Kipper.

17 RECEIVERSHIP ADMINISTRATION

18 A. Motion to Modify the Claims Process

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

25 B. Policyholder Related Claims

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

1 NIGA to fulfill their statutory duties and pay these claims on behalf of NGIC. NIGA has paid
2 loss and LAE payments of \$5,257,798 and has outstanding loss and LAE reserves of
3 \$1,017,728 at September 30, 2015.

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

5 NGIC has a \$5 million receivable on its books from Lindsay General Insurance
6 Agency ("Lindsay"), an affiliate. Lindsay filed for bankruptcy protection on February 7, 2013.
7 NGIC has filed a claim in the bankruptcy court for the \$5 million debt but is not likely to
8 recover a material amount. Lindsay is trying to re-organize and emerge from bankruptcy as
9 an insurance lead generation company. Their plan of re-organization has not been approved
10 by 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
20 paid 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 preference
22 payments that likely will be pursued is \$48,000. A formal demand will be made prior to filing a
23 lawsuit to recover these funds.

24 **E. Financial Analysis**

25 At September 30, 2015, NGIC had liquid assets of \$231,187 and liabilities of
26 approximately \$8,000,000. The Receiver incurred \$17,498 in administrative expenses during
27 the second quarter of 2015. Additionally, due to the lack of funds in NGIC, the Receivership
28 Manager will attempt to complete the remaining tasks by the end of the second quarter of

1 2016 and, at that point, will ask for a closing order from the court.

2 **F. CONCLUSION**

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

7 **AFFIRMATION**

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

11 DATED: January 14, 2016

12 Respectfully submitted:

13 Amy L. Parks, Acting Commissioner of Insurance
14 of the State of Nevada, in her Official Capacity as
15 Statutory Receiver of Delinquent Domestic Insurers

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

20 Respectfully submitted by:

21 ADAM PAUL LAXALT
22 Attorney General

23 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 January 14, 2016, I electronically served a true and correct copy of the foregoing *SEVENTH STATUS REPORT* at the email addresses listed below:

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/s/ Anne Goldy
An Employee of the
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