

1 **3835**
2 ADAM PAUL LAXALT
3 Attorney General
4 RICHARD PAILI YIEN
5 Deputy Attorney General
6 Nevada Bar No. 13035
7 100 North Carson Street
8 Carson City, NV 89701-4717
9 (775) 684-1129
10 (775)684-1156(fax)
11 Email: ryien@ag.nv.gov
12 *Attorney for the Division of Insurance*

13
14 **IN THE SECOND JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
15
16 **IN AND FOR THE COUNTY OF WASHOE**

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

29
30
31 **EIGHTH STATUS REPORT**

32 Plaintiff State of Nevada ex rel. Commissioner of Insurance, Barbara D. Richardson¹
33 (the "Commissioner") for the State of Nevada in her capacity as Permanent Receiver of
34 National Guaranty Insurance Company ("NGIC" or the "Company"), by and through her
35 attorneys of record, Attorney General ADAM PAUL LAXALT and Deputy Attorney General
36 RICHARD PAILI YIEN; and Regulatory Services Group ("RSG"), Receivership Manager of
37 NGIC, file this Eighth Status Report in the above-captioned receivership.

38
¹ Barbara D. Richardson was appointed to serve as Nevada Commissioner of Insurance on March 1, 2016, and has assumed the receivership duties of Acting Nevada Insurance Commissioner Amy L. Parks.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

INTRODUCTION AND HISTORICAL BACKGROUND

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

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

Former Insurance Commissioner, Scott J. Kipper, as Interim Receiver of NGIC, retained David E. Wilson and Regulatory Services Group as Receivership Manager. The Receivership Manager was authorized to retain the services of Joseph B. Holloway, Jr. of INS Consultants, Inc. as his Receivership Supervisor. As provided for by the Receivership Order, the Receiver and Receivership Manager are authorized to conduct the business of NGIC and to administer its affairs for the protection of all secured creditors, insureds, policyholders, and general creditors.

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

RECEIVERSHIP ADMINISTRATION

A. Motion to Modify the Claims Process

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

B. Policyholder Related Claims

At the date of liquidation, NGIC had in excess of 600 claims with stated loss reserves in

1 excess of \$6 million. The Receivership Manager has worked with the Nevada Insurance
2 Guaranty Association (“NIGA”) to transfer electronic records to them in order for NIGA to fulfill
3 their statutory duties and pay these claims on behalf of NGIC. NIGA has paid loss and LAE
4 payments of \$5,470,542 and has outstanding loss and LAE reserves of \$665,769 at
5 December 31, 2015.

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

7 NGIC has a \$5 million receivable on its books from Lindsay General Insurance Agency
8 (“Lindsay”), an affiliate. Lindsay filed for bankruptcy protection on February 7, 2013. NGIC
9 has filed a claim in the bankruptcy court for the \$5 million debt 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 by
12 the Court, and the Receivership Manager continues to monitor the case. The Receivership
13 Manager will not actively pursue this claim due to the low probability of recovery and the cost
14 of litigation. NGIC has filed a claim in the bankruptcy and will await the submission and
15 approval of a plan of re-organization with the Bankruptcy Court. Any recovery, although highly
16 unlikely, will be distributed to the Nevada Insurance Guaranty Association.

17 **D. Preference Transactions**

18 The Receivership Manager has reviewed the transactions that occurred within one year
19 of the petition for the appointment of a receiver for NGIC in accordance with NRS 696B.412.
20 The Receivership Manger has made a recommendation to the Nevada Attorney General’s
21 Office to pursue a preference claim against the former President of NGIC for expenses paid
22 by the Company relating to the formation of a new insurance company, “Clarity Insurance
23 Company”, being formed by the former President of NGIC. The total amount of the
24 preference payments that likely will be pursued is \$48,000. On March 29, 2016, a complaint
25 was filed to recover these funds.

26 **E. Financial Analysis**

27 At December 31, 2015, NGIC had liquid assets of \$205,548 and liabilities of
28 approximately \$8,000,000. The Receiver incurred \$14,940 in administrative expenses during

1 the fourth quarter of 2015. Additionally, due to the lack of funds in NGIC, the Receivership
2 Manager will attempt to complete the remaining tasks by the end of the third quarter of 2016
3 and ask for a closing order from the court at that point.

4 **F. CONCLUSION**

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

9 **AFFIRMATION**

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

13 DATED: April 1, 2016

14 Respectfully submitted:

15 Barbara D. Richardson, Commissioner of Insurance
16 of the State of Nevada, in her Official Capacity as
17 Statutory Receiver of Delinquent Domestic Insurers

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

22 Respectfully submitted by:

23 ADAM PAUL LAXALT
24 Attorney General

25 By: /s/ Richard Paili Yien
26 RICHARD PAILI YIEN
27 Deputy Attorney General
28 Nevada Bar No. 13035
100 N. Carson St
Carson City, NV 89701
P: (775) 684-1129
Email: ryien@ag.nv.gov

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 1st day of April 2016, I electronically served a copy of the foregoing *Eighth Status Report* as follows:

wilsond@caclo.org
David E. Wilson
CEO
Regulatory Services Group
100 Pine Street, 26th Floor
San Francisco, CA 94111

bgilbert@niga-pc.org
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:

Barbara D. Richardson
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