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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.) Case No. CV14-00807
12 COMMISSIONER OF INSURANCE, IN)
13 HER OFFICIAL CAPACITY AS STATUTORY) Dept. No. B13
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 Defendant.)

21 **TWELFTH STATUS REPORT, REQUEST FOR APPROVAL TO DISTRIBUTE**
22 **ESTATE ASSETS, and REQUEST FOR APPROVAL TO ASSIGN THE RIGHTS**
23 **TO RECOVER CERTAIN ESTATE ASSETS**

23 Plaintiff State of Nevada *ex rel.* Commissioner of Insurance, Barbara D. Richardson
24 (the "Commissioner") for the State of Nevada, in her capacity as Permanent Receiver of
25 National Guaranty Insurance Company ("NGIC" or the "Company"), by and through her
26 attorneys of record, Attorney General ADAM PAUL LAXALT and Deputy Attorney General
27 RICHARD PAILI YIEN; and Regulatory Services Group ("RSG"), Receivership Manager of
28 NGIC, file this Twelfth Status Report in the above-captioned receivership.

1 \$6 million at the date of liquidation. The Receivership Manager has worked with the Nevada
2 Insurance Guaranty Association ("NVIGA") to transfer electronic records to them in order for
3 NIGA to fulfill their statutory duties and pay these claims on behalf of NGIC. NIGA has paid
4 loss and LAE payments of \$5,776,188.56 and has outstanding loss and LAE reserves of
5 \$186,665.56 at December 31, 2016. These amounts are considered approved Priority B class
6 creditor under NRS 696B.420 by the Liquidator.

7 **C. Assignment of the Lindsay General Insurance Agency Bankruptcy Claim**

8 NGIC has a \$5 million recorded receivable on its books from Lindsay General
9 Insurance Agency ("Lindsay"), an affiliate. Lindsay filed for bankruptcy protection on February
10 7, 2013. NGIC filed a claim in the bankruptcy court for the \$5 million debt but is not likely to
11 recover a material amount. Lindsay is trying to re-organize and emerge from bankruptcy as
12 an insurance lead generation company. Their plan of re-organization has not been approved
13 by the Court, and the Receivership Manager continues to monitor the case. In order to
14 conclude the receivership, the Receivership Manager proposes to assign the Lindsay
15 Bankruptcy claim to NVIGA. NRS 696B.420(1)(b) provides that all claims under policies and
16 reimbursement to NVIGA are prioritized immediately after class (a) administration costs. As
17 all claims "under policies" have already been adjudicated by NVIGA, the only remaining class
18 (b) claimant under NRS 696B.420 would likely be NVIGA. As such, the Receiver believes it
19 would be appropriate to assign the Lindsay Bankruptcy claim to NVIGA.

20 **D. Preference Transactions**

21 The Receivership Manager has reviewed the transactions that occurred within one
22 year prior to the petition for the appointment of a receiver for NGIC in accordance with
23 NRS 696B.412. The Receivership Manger has made a recommendation to the Receiver and
24 the Nevada Attorney General's Office to pursue a preference claim against the former
25 President of NGIC, Larry John Ratzel, Jr. The total amount of the preference payments
26 pursued was \$48,000. On March 29, 2016, a complaint was filed to recover these funds. On
27 June 23, 2016, the receivership Court conducted a hearing on a motion to recover the
28 \$48,000 and ordered that jurisdiction was proper. On August 9, 2016, after a noticed hearing,
29

1 Judge Robb ordered the former President of NGIC to return the \$48,000 within 30 days.
2 Former President Ratzel did not comply with the Order. As a result, NGIC began pursuing
3 collection efforts by petitioning this Court for an Order Granting Examination of Judgment
4 Debtor, granted on February 2, 2017. An examination of Judgment Debtor was held at the
5 Office of the Discovery Commissioner at the Second Judicial District Court of the State of
6 Nevada on March 28, 2017. During the examination, Former President Ratzel testified under
7 oath that his personal assets totaled less than \$48,000. At the time of this filing, Former
8 President Ratzel has not complied with this Court's August 9, 2016, Order requiring him to
9 return \$48,000 to the NGIC estate.

10 In addition, the Receivership Manager continues to pursue the recovery of a \$25,000
11 preference transaction with American Sterling Corporation. Should negotiations to collect
12 ultimately fail, the Receiver intends to assign this receivable to NVIGA pursuant to the same
13 rationale discussed above in the assignment of the Lindsay Bankruptcy Claim. Likewise, in
14 order to bring to an end to the general administration aspects of the receivership, the Receiver
15 intends to also assign the right to the preference action against Mr. Ratzel, to NVIGA. The
16 Receiver intends to keep receivership proceedings open for NVIGA to pursue collection efforts
17 against any of the above parties, yet at the same time, bring to an end the general
18 administrative duties in an effort to conserve assets and reimburse NVIGA with the remaining
19 NGIC assets.

20 **E. Financial Analysis**

21 At December 31, 2016, NGIC had liquid assets of \$152,025 and liabilities of
22 approximately \$8,000,000. The Receiver incurred \$6,460 in administrative expenses during
23 the fourth quarter of 2016. The Receiver has incurred expenses of \$230,184.25 from
24 Regulatory Services Group and \$186,655.72 from INS Consultants, Inc. in class (a)
25 administration expenses from the June 2014 inception of the receivership proceeding through
26 December 31, 2016. All of these expenses have been approved by the Receiver, and a
27 portion of these expenses are currently pending this Court's approval. The Fifteenth Motion
28 for Approval of Fees was filed with this Court on April 11, 2017.

1 In compliance with NRS 696B.420(1), the Receiver will retain \$25,000 to cover the
2 following administrative expenses:

- 3 • Cost of a final audit
- 4 • Cost to destroy the remaining records of the estate
- 5 • Administrative costs to close the estate

6 The Receiver asks that these costs be approved by the Court, and if there is a remainder, to
7 approve distribution of such to NVIGA. Should administrative costs exceed \$25,000, the
8 Receivership Manager, his staff, and the other contracted administrators, including INS
9 Consultants, Inc., shall waive any additional expenses against the NGIC receivership estate
10 and the State of Nevada.

11 CONCLUSION

12 In compliance with the Court's instructions for a status report regarding the affairs
13 of the Company, the Receivership Manager has submitted the aforementioned report
14 and remains available to present further on any matters in this report as the Court may
15 deem necessary. The Receivership Manager intends to submit a final quarterly status report
16 informing the Court of the status or its closing duties, including a final itemization of costs and
17 expenses.

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AFFIRMATION

Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding document, *Twelfth Status Report, Request For Approval to Distribute Estate Assets, and Request For Approval To Assign The Rights To Recover Certain Estate Assets*, filed in case number CV14-00807, does not contain the personal information of any person.

DATED: April 13, 2017

Respectfully submitted:

Barbara D. Richardson, Commissioner of Insurance
of the State of Nevada, in her 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:

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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 13th day of April 2017, I electronically served a true and correct copy of the foregoing *Twelfth Status Report, Request For Approval To Distribute Estate Assets, And Request For Approval To Assign The Rights To Recover Certain Estate Assets*, at the email addresses below:

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