

Nevada Office of the Attorney General
100 North Carson Street
Carson City, NV 89701-4717

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EXHIBIT 1
to
**Request to Submit Closing Status Report, Request for Approval to
Distribute Estate Assets, Request for Approval to Assign the Rights to
Recover Certain Estate Assets**

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Recover Certain Estate Assets**

Office of the Attorney General
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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 **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 **CLOSING STATUS REPORT, REQUEST FOR APPROVAL TO DISTRIBUTE ESTATE**
27 **ASSETS, REQUEST FOR APPROVAL TO ASSIGN THE RIGHTS**
28 **TO RECOVER CERTAIN ESTATE ASSETS**

29 Plaintiff State of Nevada ex rel. Commissioner of Insurance, Barbara D. Richardson
30 (the "Commissioner") for the State of Nevada, in her capacity as Permanent Receiver of
31 National Guaranty Insurance Company ("NGIC" or the "Company"), by and through her
32 attorneys of record, Attorney General ADAM PAUL LAXALT and Deputy Attorney General
33 RICHARD PAILI YIEN; and Regulatory Services Group ("RSG"), Receivership Manager of

1 NGIC, file this Closing Status Report in the above-captioned receivership.

2 **INTRODUCTION AND HISTORICAL BACKGROUND**

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

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

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

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

20 **RECEIVERSHIP ADMINISTRATION**

21 **A. Motion to Modify the Claims Process**

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

1 **B. Policyholder Related Claims**

2 NGIC had in excess of 600 claims with stated loss reserves in excess of \$6 million at
3 the date of liquidation. The Receivership Manager has worked with the Nevada Insurance
4 Guaranty Association ("NVIGA") to transfer electronic records to them in order for NVIGA to
5 fulfill their statutory duties and pay these claims on behalf of NGIC. NVIGA has paid loss and
6 LAE payments of \$5,823,085 and has outstanding loss and LAE reserves of \$150,648 at June
7 30, 2017. These amounts are considered approved Priority class b creditor claims under NRS
8 696B.420 by the Receiver.

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

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

24 **D. Assignment of a Claim against BBC Investment Group, LLC**

25 The Receiver also requests approval for the distribution and assignment of a cause of
26 action against BBC Investment Group, LLC in the amount of \$100,000 to NVIGA as the only
27 class (b) claimant under NRS 696B.420. On March 14, 2014, NGIC sold a mortgage to BBC

1 Investment Group, LLC for \$1 million. BBC Investment Group, LLC paid \$300,000 on March
2 31, 2014, and \$600,000 on April 21, 2014. A balance of \$100,000 remains due on the sale of
3 the mortgage loan. BBC Investment Group, LLC contends that they pre-paid their obligation
4 and received a \$100,000 discount.

5 **E. Preference Transactions**

6 The Receivership Manager has reviewed the transactions that occurred within one
7 year prior to the petition for the appointment of a receiver for NGIC in accordance with
8 NRS 696B.412. The Receivership Manger made a recommendation to the Receiver and the
9 Nevada Attorney General's Office to pursue a preference claim against the former President
10 of NGIC, Larry John Ratzel, Jr. The total amount of the preference payments pursued was
11 \$48,000. On March 29, 2016, a complaint was filed to recover these funds. On June 23,
12 2016, the receivership Court conducted a hearing on a motion to recover the \$48,000 and
13 ordered that jurisdiction was proper. On August 9, 2016, after a noticed hearing, Judge Robb
14 ordered the former President of NGIC to return the \$48,000 within 30 days. Former President
15 Ratzel did not comply with the Order. As a result, NGIC began pursuing collection efforts by
16 petitioning this Court for an Order Granting Examination of Judgment Debtor, granted on
17 February 2, 2017. An examination of Judgment Debtor was held at the Office of the
18 Discovery Commissioner at the Second Judicial District Court of the State of Nevada on
19 March 28, 2017. During the examination, Former President Ratzel testified under oath that
20 his personal assets totaled less than \$48,000. Simultaneously, the Receivership Manager
21 pursued the recovery of a \$25,000 preference transaction from American Sterling Corporation.
22 On July 17, 2017, the Receivership Manager received a \$73,000 check from American
23 Sterling Corporation resolving both disputes.

24 **F. Financial Analysis**

25 On June 30, 2017, NGIC had liquid assets of \$139,787 and liabilities of approximately
26 \$8,000,000. The Receiver incurred \$5,211 in administrative expenses during the second
27 quarter of 2017. The Receiver has incurred expenses of \$293,125 from Regulatory Services

1 Group and \$189,867 from INS Consultants, Inc. in class (a) administration expenses from the
2 June 2014 inception of the receivership proceeding through June 30, 2017. All of these
3 expenses have been approved by the Receiver, and a portion of these expenses currently is
4 pending this Court's approval.

5 **G. Closing**

6 In order to close the NGIC estate, the Receiver requests approval of the following:

- 7 • The classification of NVIGA's paid loss and LAE payments of \$5,823,085 and
8 outstanding loss and LAE reserves of \$150,648 as class b creditors under
9 NRS 696B.420(1).
- 10 • The distribution by way of assignment of the Lindsay General Insurance Agency
11 bankruptcy claim to NVIGA as the only class b creditor under NRS 696B.420(1).
- 12 • The distribution by way of assignment of any claims against the BBC Investment
13 Group, LLC over the mortgage sale on March 14, 2014.
- 14 • The March-July administrative costs currently pending before this Court.
- 15 • The distribution of remaining cash in the NGIC estate to NVIGA (only class b
16 creditor) after payment of all approved class a administrative expenses.

17 In compliance with NRS 696B.420(1)a, the Receiver will retain \$30,000 to cover the
18 following administrative expenses post-closing:

- 19 • Cost of a final audit
- 20 • Cost to destroy the remaining records of the estate
- 21 • Administrative costs to close the estate

22 The Receiver asks that these costs be approved by the Court, and if there is a remainder, to
23 approve distribution of such to NVIGA. Should administrative costs exceed \$30,000, the
24 Receivership Manager, his staff, and the other contracted administrators, including INS
25 Consultants, Inc., waive any additional expenses against the NGIC receivership estate and
26 the State of Nevada.

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CONCLUSION

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

AFFIRMATION

Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding document, *CLOSING STATUS REPORT, REQUEST FOR APPROVAL TO DISTRIBUTE ESTATE ASSETS, 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: October 5th, 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:

ADAM PAUL LAXALT
Attorney General

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

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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 5th day of October 2017, I electronically served a true and correct copy of the foregoing *CLOSING STATUS REPORT, REQUEST FOR APPROVAL TO DISTRIBUTE ESTATE ASSETS, REQUEST FOR APPROVAL TO ASSIGN THE RIGHTS TO RECOVER CERTAIN ESTATE ASSETS* at the email addresses below:

wilsond@caclo.org

David E. Wilson
CEO, SDIC
Regulatory Services Group
100 Pine Street, 26th Floor
San Francisco, CA 94111

bgilbert@nviga-pc.org

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

fcasci@doi.nv.gov

Barbara D. Richardson
Commissioner of Insurance
Attn: Felecia Casci
1818 E. College Parkway, Ste. 103
Carson, City, NV 89706

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