



CLERK OF THE COURT

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12 **IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
13 **CLARK COUNTY, NEVADA**

14 STATE OF NEVADA, EX REL.)
15 COMMISSIONER OF INSURANCE, IN HER)
16 OFFICIAL CAPACITY AS STATUTORY)
17 RECEIVER FOR DELINQUENT DOMESTIC)
18 INSURER,)
19 Plaintiff,)
20 vs.)
21 PROFESSIONAL AVIATION INSURANCE)
22 RECIPROCAL, a Nevada Domiciled)
23 Reciprocal Captive Insurance Company,)
24 Defendant.)

Case No. A-700829-P

Dept. No. XXIV

25 **SEVENTH STATUS REPORT**

26 COME NOW, Amy L. Parks, Acting¹ Commissioner of Insurance for the State of
27 Nevada in her capacity as Permanent Receiver ("Receiver") of Professional Aviation
28 Insurance Reciprocal ("PAIR"), and Regulatory Services Group ("RSG"), Receivership
Manager of PAIR, and file this Seventh Status Report in the above-captioned receivership.

29 **I. INTRODUCTION AND HISTORICAL BACKGROUND**

30 PAIR was an unincorporated association formed as a captive insurance company
pursuant to Chapter 694C of the Nevada revised statues (NRS) and operated as a reciprocal

¹ Amy L. Parks replaced Scott J. Kipper as Commissioner of Insurance following his resignation effective July 2, 2015.

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1 insurer as that term is defined by NRS 680A.040. PAIR was domiciled in the State of Nevada
2 and received its Certificate of Authority on November 27, 2007. As a reciprocal insurer, the
3 subscribers of PAIR operated through an Attorney-in-fact, T. Edwards, LLC, a Nevada
4 domestic limited liability company, to enable the exchange of contracts of insurance among
5 themselves. PAIR's program provided hull liability insurance (physical damage) to its
6 subscribers – pilots and pilot groups specializing in the Air Tractor industry – on a claims-
7 made basis.

8 On July 3, 2014, an Order Appointing the Nevada Insurance Commissioner as
9 Permanent Receiver of PAIR ("Permanent Receivership Order") was entered by the Eighth
10 Judicial District Court of the State of Nevada for Clark County (the "Court").

11 On June 2, 2014, Receiver of PAIR retained David E. Wilson and Regulatory Services
12 Group ("RSG") as Receivership Manager. The Receivership Manager was authorized to
13 retain the services of Scott Pearce of RSG as his Receivership Supervisor. As provided for by
14 the Permanent Receivership Order, the Receiver and Receivership Manager are authorized to
15 conduct the business of PAIR and to administer its affairs for the protection of all secured
16 creditors, insureds, policyholders, and general creditors.

17 The Permanent Receivership Order appointed the Commissioner as Permanent
18 Receiver pursuant to NRS 696B.220 for the purpose of liquidating the business of insolvent
19 PAIR and granted other permanent relief.

20 II. RECEIVERSHIP ADMINISTRATION

21 A. Notices of Receivership and Notification of Interested Parties

22 The Receivership Manager provided notice of the receivership proceeding to all known
23 interested parties, and periodically addresses inquiries from interested parties or claimants of
24 the receivership and pending liquidation of PAIR. Additionally, the Regulatory Services
25 Group website is periodically updated with any material developments and information as well
26 as links to view and obtain copies of the permanent receivership order and any subsequent
27 pleadings filed in the PAIR receivership.

1 **B. Policyholder Related Claims**

2 The claims bar date for the Proof of Claim process was 7/31/2015. All claims have
3 been received and, at least, preliminarily evaluated by the Receivership Manager.
4 Policyholder liability will be determined after determination by the Receivership Managers of
5 the submitted claims through the Proof of Claim process. Accompanying this filing is a claims
6 listing pursuant to the requirements of NRS 696B.330(6). Only four claims are now being
7 considered as policyholder claims. Two of the four claims are now resolved and approved, the
8 third claim, that of O'Brien Flying Services, requires further analysis on its merits, and the
9 fourth claim, rather small, involves attorney related to a policy defense. Given that the
10 approved policyholder claims are now at \$270,000 with projected total assets at closure
11 expected to be approximately \$400,000, and that the O'Brien claim is unlikely to be resolved
12 within the difference of those numbers, it becomes apparent that policyholder claims will be
13 approved at amounts greater than total assets; thus, no claims below policyholder class will
14 be evaluated or considered.

15 **C. General Creditor and/or Other Enterprise Claims**

16 The Proof of Claim process produced 6 asserted General Creditor category claims
17 which, per analysis above, will not be considered. Additionally, after review we find there are
18 three equity claims, a lower priority than general creditor claims and will not be considered.

19 **D. Proof of Claim Process**

20 All timely filed claims are in process. Assuming that the O'Brien claim resolves, this
21 estate can be moved to a final disposition.

22 A detailed claims report pursuant to NRS 696B.330 (6) is being filed
23 contemporaneously with this report.

24 **E. Reinsurance**

25 Under the 2013 treaty, approved claims are recoverable from London reinsurers in the
26 amount of \$680,000 in excess of a \$350,000 retention per aircraft. Based on the POCs, filed
27 with the estate through July 31, 2015, there is only one claim that has the potential to attach to
28

1 the reinsurance treaty, O'Brien Flying Services, Inc. The claimant filed a claim for \$1,528,422
2 but no determination has been made as of December 31, 2015.

3 In addition, PAIR owes reinsurers the 4th quarter 2013 premium deposit of \$62,500
4 which may be offset against future reinsurance recoveries, if any.

5 **F. Records and Assets Control**

6 The Receivership Manager has essentially completed the process of taking possession
7 of PAIR's books and records, both tangible and electronic.

8 **G. Financial Analysis**

9 As of December 31, 2015 PAIR's Wells Fargo bank account had a balance of
10 \$394,989. Additionally, the Receivership Manager holds a \$50,000 retainer. At this time,
11 PAIR cannot estimate potential reinsurance recoveries until the O'Brien Flying Services claim
12 has been determined. Through December 31, 2015 the Receivership Manager has incurred
13 \$103,184 in administration expenses. Considering the current cash assets less administrative
14 expenses PAIR has total potential assets of approximately \$385,429 at December 31, 2015.
15 At December 31, 2015 PAIR has policyholder liabilities believed to be in excess of total
16 assets. Once the Receivership Manager concludes policyholder claim determinations, it will
17 seek court approval to distribute PAIR's remaining assets in accordance with NRS 696B.420.

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1 III. CONCLUSION

2 In compliance with NRS 696B.290(7), the Receivership Manager submits the
3 aforementioned report and respectfully requests that this Court approve this status report and
4 the actions of the Receiver and Receivership Manager.

5 DATED this 16th day of February, 2016.

6
7 Respectfully submitted:

8 Amy L. Parks, Acting Commissioner of Insurance
9 of the State of Nevada, in her Official Capacity as
10 Statutory Receiver of Delinquent Domestic Insurers

11 By: /s/ Scott Pearce
12 Scott Pearce
13 Regulatory Services Group
14 Receivership Supervisor

15 Respectfully submitted by:

16 ADAM PAUL LAXALT
17 Attorney General

18 By: /s/ Joanna N. Grigoriev
19 Joanna N. Grigoriev
20 Senior Deputy Attorney General
21 *Attorneys for the Commissioner of Insurance as Receiver*
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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing Seventh Status Report via the electronic filing system on the 16th day of February, 2016 and that it was served as follows:

- The participants are not registered electronic filing system users in this case and I have mailed the foregoing document by First Class Mail, postage prepaid to:

Constance Akridge, Esq.
Holland & Hart, LLP
9555 Hillwood Drive, 2nd Floor

/s/ Marilyn Millam

An employee of the Office of the Attorney General

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EXHIBIT A

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PAIR CLAIMS Pursuant to NRS 696B.330(6)

POC No.	Claimant Name	Claimed Amount	Claim Evaluated	Returned Date	Probable Priority	Status
300024	Tarheel Turbines	\$ 5,180.00	\$0.00	7/7/2015	b	Rejected
300059	Benny White Flying Service	\$ 101,706.83	\$80,082.95	3/31/2015	b	Approved
300064	Headwaters Flying Service	\$ -	\$0.00	3/27/2015	b	Rejected
300070	STEIER AG AVIATION, INC.	\$ 216,122.01	\$189,863.68	5/11/2015	b	Approved
300074	O'Brien Flying Service	\$ 1,528,422.23	\$435,144.00	7/22/2015	b	Negotiating
300034	Morris, Manning & Martin, LLP Attn: Robert H.Myers, Jr. Esq	\$ 11,642.76	\$2,000.00	4/20/2015	b	Not Final-Evaluating
			\$707,090.63			
300105	Risk Services, LLC	\$ 11,965.14		6/5/2015	g	No Money for Class
300106	LLOYD'S UNDERWRITER SYND NO. 2010 MMX	\$ 26,137.50		5/19/2015	g	No Money for Class
300107	ATRIUM AVIATION RE CONSORTIUM, NO. 9563	\$ 8,712.50		5/19/2015	g	No Money for Class
300108	XL RE EUROPE LIMITED	\$ 26,137.50		5/19/2015	g	No Money for Class
300109	HANNOVER RUCKVERSICHERUNG AKTIEN	\$ 16,875.00		6/30/2015	g	No Money for Class
300100	Trevor Edwards	\$ 1,225,000.00		7/13/2015	k	No Money for Class
300058	Blackstone Aerial Spraying	\$ 6,300.00		3/24/2015	k	No Money for Class
300089	Hartley Flying Service, Inc.	\$ 14,139.75		4/11/2015	k	No Money for Class