



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 **EIGHTH STATUS REPORT**

26 COME NOW, Barbara Richardson<sup>1</sup> Commissioner of Insurance (the "Commissioner")  
27 for the State of Nevada in her capacity as Permanent Receiver ("Receiver") of Professional  
28 Aviation Insurance Reciprocal ("PAIR"), and Regulatory Services Group ("RSG"),  
Receivership Manager of PAIR, and file this Eighth Status Report in the above-captioned  
receivership.

<sup>1</sup> Barbara Richardson is hereby substituted in the place and stead of Amy L. Parks as the Receiver for Professional Aviation Insurance Reciprocal, as Ms. Richardson has been appointed Insurance Commissioner for the State of Nevada following Ms. Parks' service as Acting Commissioner.

1                                   **I.           INTRODUCTION AND HISTORICAL BACKGROUND**

2           PAIR was an unincorporated association formed as a captive insurance company  
3 pursuant to Chapter 694C of the Nevada revised statutes (NRS) and operated as a reciprocal  
4 insurer as that term is defined by NRS 680A.040. PAIR was domiciled in the State of Nevada  
5 and received its Certificate of Authority on November 27, 2007. As a reciprocal insurer, the  
6 subscribers of PAIR operated through an Attorney-in-fact, T. Edwards, LLC, a Nevada  
7 domestic limited liability company, to enable the exchange of contracts of insurance among  
8 themselves. PAIR's program provided hull liability insurance (physical damage) to its  
9 subscribers – pilots and pilot groups specializing in the Air Tractor industry – on a claims-  
10 made basis.

11           On July 3, 2014, an Order Appointing the Nevada Insurance Commissioner as  
12 Permanent Receiver of PAIR (“Permanent Receivership Order”) was entered by the Eighth  
13 Judicial District Court of the State of Nevada for Clark County (the “Court”).

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

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

23                                   **II.           RECEIVERSHIP ADMINISTRATION**

24           **A.           Notices of Receivership and Notification of Interested Parties**

25           The Receivership Manager provided notice of the receivership proceeding to all known  
26 interested parties, and periodically addresses inquiries from interested parties or claimants of  
27 the receivership and pending liquidation of PAIR. Additionally, the Regulatory Services  
28 Group website is periodically updated with any material developments and information as well

1 as links to view and obtain copies of the permanent receivership order and any subsequent  
2 pleadings filed in the PAIR receivership.

3 **B. Policyholder Related Claims**

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

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

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

21 **D. Proof of Claim Process**

22 All timely filed claims are in process. Assuming that the O'Brien claim resolves, this  
23 estate can be moved to a final disposition within the next few months. If the resolution of the  
24 O'Brien claim causes approved policyholder claims to exceed assets available, all creditors in  
25 lower claim priority categories will be notified that there are no assets available to pay their  
26 class of claims.

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

1       **E.     Reinsurance**

2             Under the 2013 treaty, approved claims are recoverable from London reinsurers in the  
3 amount of \$680,000 in excess of a \$350,000 retention per aircraft. Based on the POCs, filed  
4 with the estate through July 31, 2015, there is only one claim that has the potential to attach to  
5 the reinsurance treaty, O'Brien Flying Services, Inc. The claimant filed a claim for \$1,528,422  
6 but no determination has been made as of December 31, 2015.

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

9       **F.     Records and Assets Control**

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

12       **G.     Financial Analysis**

13            As of April 30, 2016 PAIR's Wells Fargo bank account had a balance of \$364,833.  
14 Additionally, the Receivership Manager holds a \$50,000 retainer. At this time, PAIR cannot  
15 estimate potential reinsurance recoveries until the O'Brien Flying Services claim has been  
16 determined. Through March 31, 2016 the Receivership Manager has incurred \$108,406 in  
17 administration expenses. Considering the current cash assets less administrative expenses  
18 PAIR has total potential assets of approximately \$358,345 at April 30, 2016. At April 30, 2016  
19 PAIR has policyholder liabilities believed to be in excess of total assets. Once the  
20 Receivership Manager concludes policyholder claim determinations, it will seek court approval  
21 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: May 16, 2016.

6 Respectfully submitted:

7 Barbara Richardson, Commissioner of Insurance  
8 of the State of Nevada, in her Official Capacity as  
9 Statutory Receiver of Delinquent Domestic Insurers

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

14 Respectfully submitted by:

15 ADAM PAUL LAXALT  
16 Attorney General

17 By: /s/ Joanna N. Grigoriev  
18 Joanna N. Grigoriev  
19 Senior Deputy Attorney General  
20 *Attorneys for the Commissioner of Insurance as Receiver*  
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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 the 16<sup>th</sup> day of May, 2016 I served the foregoing Eighth Status Report addressed as follows:

Constance Akridge, Esq.  
Holland & Hart, LLP  
9555 Hillwood Drive, 2<sup>nd</sup> 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)**  
**5/12/2016**

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	\$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-Coverage review
300034	Morris, Manning & Martin, LLP Attn: Robert H. Myers, Jr. Esq	\$ 11,642.76	\$2,000.00	4/20/2015	b	Not Final-Evaluating
			<b>\$707,090.63</b>			
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