



CLERK OF THE COURT

SR

1 ADAM PAUL LAXALT
Attorney General
2 Joanna N. Grigoriev
Deputy Attorney General
3 Nevada Bar No. 5649
555 E. Washington Ave., #3900
4 Telephone: (702) 486-3101
Facsimile: (702) 486-3416
5 Las Vegas, NV 89101
jgrigoriev@ag.nv.gov
6 *Attorneys for the Commissioner of Insurance*
7 *as Statutory Receiver*

8 **DISTRICT COURT**

9 **CLARK COUNTY, NEVADA**

10 STATE OF NEVADA, EX REL.
11 COMMISSIONER OF INSURANCE, IN HIS
12 OFFICIAL CAPACITY AS STATUTORY
RECEIVER FOR DELINQUENT DOMESTIC
INSURER,

13 Plaintiff,

14 vs.

15 PROFESSIONAL AVIATION INSURANCE
16 RECIPROCAL, a Nevada Domiciled Reciprocal
Captive Insurance Company,

17 Defendant.

Case No. A-700829
Dept. No. XXIV

19 **ELEVENTH STATUS REPORT**

20
21 COME NOW, Barbara Richardson¹ Commissioner of Insurance (the "Commissioner") for the
22 State of Nevada in her capacity as Permanent Receiver ("Receiver") of Professional Aviation Insurance
23 Reciprocal ("PAIR"), and Regulatory Services Group ("RSG"), Receivership Manager of PAIR, and
24 file this Eleventh Status Report in the above-captioned receivership.

25
26
27
28 ¹ 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 pursuant to
3 Chapter 694C of the Nevada revised statutes (NRS) and operated as a reciprocal insurer as that term is
4 defined by NRS 680A.040. PAIR was domiciled in the State of Nevada and received its Certificate of
5 Authority on November 27, 2007. As a reciprocal insurer, the subscribers of PAIR operated through an
6 Attorney-in-fact, T. Edwards, LLC, a Nevada domestic limited liability company, to enable the
7 exchange of contracts of insurance among themselves. PAIR’s program provided hull liability
8 insurance (physical damage) to its subscribers – pilots and pilot groups specializing in the Air Tractor
9 industry – on a claims-made basis.

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

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

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

22 **II. RECEIVERSHIP ADMINISTRATION**

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

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

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

3 **B. Policyholder Related Claims**

4 The claims bar date for the Proof of Claim process was 7/31/2015. All claims have been
5 received and evaluated by the Receivership Manager. Policyholder liability will be determined after
6 determination by the Receivership Manager of the submitted claims through the Proof of Claim
7 process. Accompanying this filing is a claims listing pursuant to the requirements of NRS 696B.330(6).
8 Only four claims are now being considered as policyholder claims. All four claims are now resolved
9 and approved, with the last approval letter being mailed to O'Brien Flying Services on January 19,
10 2017. Given that the approved policyholder claims are now at \$698,613 with projected total assets at
11 closure expected to be approximately \$380,000, it becomes apparent that policyholder claims will be
12 approved at amounts greater than total assets; thus, no claims below policyholder class will be
13 evaluated or considered. (NRS 696B.330(4))

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

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

18 **D. Proof of Claim Process**

19 Assuming that the O'Brien claim resolves as anticipated, this estate can be positioned to seek
20 approval of a final distribution and closure order within the next couple months. The resolution of the
21 O'Brien claim will likely result in total approved policyholder claims exceeding the assets available.
22 Due to insufficient assets below the policyholder class of creditors, all creditors in lower claim priority
23 categories will be notified that there are no assets available to pay their class of claims.

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

26 **E. Reinsurance**

27 Under the 2013 treaty, approved claims are recoverable from London reinsurers in the amount
28 of \$680,000 in excess of a \$350,000 retention per aircraft. One claim, O'Brien Flying Services, Inc.,

1 was recently approved for \$400,000.00. Thus, reinsurers will owe PAIR \$50,000.00 in loss recoveries.
2 However, PAIR owes reinsurers the 4th quarter 2013 premium deposit of \$62,500.00 which will be
3 offset against reinsurance recoveries resulting in a net balance due reinsurers of \$12,500.00.

4 **F. Records and Assets Control**

5 The Receivership Manager has possession of all of PAIR's known books and records, both
6 tangible and electronic.

7 **G. Financial Analysis**

8 As of December 31, 2016 PAIR's Wells Fargo bank account had a balance of \$343,516.82.
9 Additionally, the Receivership Manager holds a \$50,000 retainer. As noted above, PAIR will not
10 recover any reinsurance on the O'Brien Flying Services claim as the reinsurers are due premiums that
11 exceed the reinsurance loss. Through December 31, 2016 the Receivership Manager has incurred
12 \$126,368 in administration expenses. Considering the current cash assets less administrative expenses
13 PAIR has total potential assets of approximately \$380,000 at December 31, 2016. At December 31,
14 2016 PAIR has policyholder liabilities believed to be in excess of total assets. Now that the
15 Receivership Manager has essentially concluded all policyholder claim determinations, the estate will
16 be seeking court approval to distribute PAIR's remaining assets in accordance with NRS 696B.420.

17 ///

18 ///

19

20

21

22

23

24

25

26

27

28

1 **III. CONCLUSION**

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

5 DATED: February 15, 2017.

Respectfully submitted:

6
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*

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I electronically filed the foregoing Tenth Status Report via the electronic
3 filing system on the 15th day of February, 2017 and that it was served as follows:

- 4
5 The participants are not registered electronic filing system users in this case and I have
6 mailed the foregoing document by First Class Mail, postage prepaid to:

7 Constance Akridge, Esq.
8 Holland & Hart, LLP
9 9555 Hillwood Drive, 2nd Floor

10
11 /s/ Marilyn Millam
12 An employee of the Office of the Attorney General

EXHIBIT A

EXHIBIT A

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

02/08/17

POC No.	Claimant Name	Claimed Amount	Approved Amount	Denied Amount	Priority	Status
300059	Benny White Flying Service	\$ 101,706.83	\$80,082.95	\$21,623.88	b	Approved
300064	Headwaters Flying Service	\$0.00	\$0.00	\$0.00	b	Denied
300070	STEIER AG AVIATION, INC.	\$ 216,122.01	\$189,863.68	\$26,258.33	b	Approved
300074	O'Brien Flying Service	\$ 1,528,422.23	\$400,000.00	\$1,128,422.23	b	Approved
300034	Morris, Manning & Martin, LLP Attn: Robert H. Myers, Jr. Esq	\$ 11,642.76	\$28,666.78	\$0.00	b	Approved
			\$698,613.41	\$1,176,304.44		
300105	Risk Services, LLC	\$ 11,965.14			g	No Money for Class
300106	LLOYD'S UNDERWRITER SYND NO. 2010 MMX	\$ 26,137.50			g	No Money for Class
300107	ATRIUM AVIATION RE CONSORTIUM, NO. 9563	\$ 8,712.50			g	No Money for Class
300108	XL RE EUROPE LIMITED	\$ 26,137.50			g	No Money for Class
300109	HANNOVER RUCKVERSICHERUNG AKTIEN	\$ 16,875.00			g	No Money for Class
300024	Tarheel Turbines	\$ 5,180.00			g	No Money for Class
300100	Trevor Edwards	\$ 1,225,000.00			k	No Money for Class
300058	Blackstone Aerial Spraying	\$ 6,300.00			k	No Money for Class
300089	Hartley Flying Service, Inc.	\$ 14,139.75			k	No Money for Class