

JUL 14 2014

BUREAU OF PUBLIC AFFAIRS
BUSINESS & TAXATION DIVISION

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13 **IN THE FIRST JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
14 **IN AND FOR THE COUNTY OF WASHOE**

15 STATE OF NEVADA, EX REL.)	Case No. 14 OC 00114 1B
16 COMMISSIONER OF INSURANCE, IN HIS)	
17 OFFICIAL CAPACITY AS STATUTORY)	Dept. No. 2
18 RECEIVER FOR DELINQUENT DOMESTIC)	
19 INSURER,)	
20)	
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FIRST STATUS REPORT

Scott J. Kipper, Commissioner of Insurance (the "Commissioner") for the State of Nevada, in his capacity as Permanent Receiver of Physicians Benefit Resources Risk Retention Group, Inc. ("PBR" or the "Company"), and Regulatory Services Group ("RSG"), Receivership Manager of PBR, file this First Status Report in the above-captioned receivership.

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1 Company and to administer its affairs for the protection of all secured creditors, insureds,
2 policyholders, and general creditors.

3 The Permanent Receivership and Liquidation Order found the Company to be insolvent
4 and ordered it to be liquidated pursuant to Chapter 696B.220(2) of NRS. It also directed that
5 among other things:

- 6 1. The Receiver is vested with exclusive title both legal and equitable to all of
7 Defendant's assets, books, records, property, real and personal, including all
8 property or ownership rights, choate or inchoate, whether legal or equitable of any
9 kind or nature, including, but not limited to, all causes of action, defenses, letters
10 of credit relating to the Company or its business, all stocks, bonds, certificates of
11 deposit, cash, cash equivalents, contract rights, reinsurance contracts and
12 reinsurance recoverables, in-force insurance contracts and business, deeds,
13 mortgages, leases, book entry deposits, bank deposits, evidences of
14 indebtedness, bank accounts, securities of any kind and nature, both tangible and
15 intangible, including, but not limited to, any special statutory deposits or other
16 deposits or accounts made by or for the Company.
- 17 2. All persons be enjoined from commencing, bringing, maintaining, or further
18 prosecuting any action at law, suit in equity, arbitration, or special or other
19 proceeding of any nature against the Company, Receiver, or Receivership
20 Manager;
- 21 3. All secured creditors or lienholders of property of the Company be enjoined from
22 transferring, selling, encumbering, attaching, or disposing of their purported rights
23 in the property;
- 24 4. The Receiver establish a claim and appeal procedure for claims in the
25 receivership; and
- 26 5. Officers, directors, partners, agents, creditors, and all other persons of any nature
27 be enjoined from conducting the business of the Company, asserting control or
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1 dominion over property of the Company, seeking to obtain preferences of any
2 kind, or interfering in any way with Receivership proceedings.

- 3 6. The Receiver shall affirm, reject, or disavow any leases or executory contracts to
4 which the Company is a party at such times as they deem appropriate under the
5 circumstances.

6 **II. RECEIVERSHIP ADMINISTRATION**

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

8 The Receivership Manager prepared and mailed notices of the receivership proceeding
9 apprising all known, interested parties of the receivership and pending liquidation of the
10 Company. The notice contained contact information for questions and where to find copies of
11 the receivership orders. Additionally, the Regulatory Services Group website was updated
12 with the notice and links to view the permanent receivership and liquidation order.

13 The Receivership Manager also personally served a certified copy of the permanent
14 receivership and liquidation order on the Company's depository banking partner. Consulting
15 counsel for the Company and RSG together provided notice of the receivership and copies of
16 the permanent receivership and liquidation order to Laurence Mohn (CFO, COO and Director
17 of the Company), Keith Mohn, Dr. John Paul Elliott (a board member of the Company and sole
18 owner of Colorado Brain and Spine institute), Richard Staub, Esq. (counsel for the Company),
19 as well as all known reinsurers, brokers, reinsurance intermediaries, professional service
20 providers, and any other known stakeholders to the Company. A Notice of Entry of Order was
21 filed with this Court on June 23, 2014, and copies also were sent by the Nevada Attorney
22 General's Office to the board members and representatives of PBR - Laurence Mohn, John
23 Paul Elliot, Craig Benson, and Richard S. Staub. The Receivership Manager also will arrange
24 for notices to be published in newspapers in locations where the Company wrote insurance.

25 **B. Policyholder Related Claims**

26 As of this Status Report, the Company has one open claim from its sole insured -- the
27 Colorado Brain and Spine Institute (the "CBSI"). The Company has insured CBSI for
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1 indemnity coverage only. The defense of the litigated claim initially was funded by a reinsurer
2 up to a stated amount after which the named defendant in the suit, who is an insured of the
3 Company, personally has been paying the costs of defense. According to consulting counsel
4 for the Company under the terms of the insurance policy, the insured/named defendant
5 retains the exclusive rights to compromise or settle the claim. Upon initial review, it appears
6 the Company has a reinsurance program in place that may serve to pay a material portion of
7 any indemnity claim obligation that may result from the litigation. The Receivership Manager
8 will work independently to verify the facts and information that have been received from third
9 parties at the initial turnover of the Company. The Receivership Manager will continue to
10 monitor the case and will address any obligations that may arise from the future ruling.

11 **C. Records and Assets Control**

12 The Receivership Manager still is in the process of taking control and possession of
13 the Company's books and records, both tangible and electronic. The majority of the
14 Company's records are maintained in electronic form, and were dispersed to various parties
15 after the termination of the management agreement with the Company's captive manager in
16 June 2013. The Receivership Manager has made contact with and interviewed various
17 service providers and consultants to the Company who currently hold the Company's
18 documents. The Receivership Manager has set up a secure web-based location to which all
19 of the Company's books and records will be transferred. As a result of the records being held
20 by various parties in various states, the process of collecting all of the Company's documents
21 and information is requiring additional time and effort.

22 In addition to records control, the Receivership Manager actively is working to take
23 control of the Company's sole bank account. The Receivership Manager has been successful
24 in establishing a hold on the Company's bank account and is in the process of working with
25 the bank's legal/compliance unit to change over signatory access at Bank of America. Bank
26 of America's legal unit was provided a certified copy of the receivership order on June 30,
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1 2014, as well as the proper engagement documents authorizing the Receivership Manager to
2 act on behalf of the Receiver.

3 **D. Financial Analysis**

4 The Company had liquid assets of \$151,091 as of July 3, 2014, a reinsurance receivable for
5 \$950,000 and claim and expense liabilities in excess of \$1,000,000. Based on the financial
6 condition of the Company, the Receiver will need time to determine the ultimate obligations of
7 the Company as a result of the pending claim litigation and determine if sufficient assets are
8 available through reinsurance recoveries, assessment, and cash on hand to pay all or a
9 portion of the Company's creditors.

10 **III. CONCLUSION**

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

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AFFIRMATION

Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding document, *First Status Report*, filed in case number 14 OC 00114 1B, does not contain the social security number of any person.

DATED: July 11, 2014

Respectfully submitted:

Scott J. Kipper, Commissioner of Insurance
of the State of Nevada, in his Official Capacity as
Statutory Receiver of Delinquent Domestic Insurers

By:



SCOTT PEARCE
Receivership Supervisor
Regulatory Services Group

Respectfully submitted by:

CATHERINE CORTEZ MASTO
Attorney General

By:

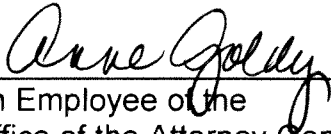


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CERTIFICATE OF SERVICE

I hereby certify that I am an employee of the State of Nevada, Office of the Attorney General, and that on July 11, 2014, I filed a copy of the foregoing *First Status Report* at First Judicial District Court, and served, by mailing at Carson City, Nevada, a true and correct copy in first class mail, postage prepaid, fully addressed to:

Richard S. Staub, Esq.
P.O. Box 392
Carson City, NV 89702


An Employee of the
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