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9 **IN THE FIRST JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
10 **IN AND FOR THE COUNTY OF CARSON CITY**

11 STATE OF NEVADA, EX REL.) Case No. 14 OC 00114 1B
12 COMMISSIONER OF INSURANCE, IN HIS)
13 OFFICIAL CAPACITY AS STATUTORY) Dept. No. 2
14 RECEIVER FOR DELINQUENT DOMESTIC)
15 INSURER,)
16)
17) Plaintiff,)
18)
19)
20 vs.)
21)
22)
23)
24) PHYSICIANS BENEFIT RESOURCES RISK)
25) RETENTION GROUP, INC. , a Nevada)
26) Domiciled Association Captive Insurance)
27) Company,)
28)
29)
30) Defendant)

31 **SEVENTH STATUS REPORT**

32 Amy L. Parks, Acting Commissioner of Insurance (the "Commissioner") for the State of
33 Nevada, in her capacity as Permanent Receiver of Physicians Benefit Resources Risk
34 Retention Group, Inc. ("PBR" or the "Company"), and Regulatory Services Group ("RSG"),
35 Receivership Manager of PBR, file this Seventh Status Report in the above-captioned
36 receivership.

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I. INTRODUCTION AND HISTORICAL BACKGROUND

PBR was a captive insurance company operating as a risk retention group, incorporated and organized under the Nevada Insurance laws and the Liability Risk Retention Act of 1986. The company was domiciled in the State of Nevada and received its Certificate of Authority on July 20, 2010, and operated under the authority of Nevada Revised Statutes (“NRS”) Chapter 694C.

The Company wrote professional liability insurance to physicians and their medical groups under claims-made indemnity policies. Ultimately, the Company was unable to collect sufficient premiums to both cover its fixed costs and operate as a viable insurer. In its history, it was able to attract only one doctor group.

On December 31, 2012, the Company reported a Capital and Surplus balance of \$149,013. In accordance with NRS 694C.250(1), the company was unable to maintain the required minimum Capital and Surplus balance of \$500,000. As a consequence of failing to restore the minimum Capital and Surplus balance by April 30, 2013, the Company agreed to a voluntary suspension of its Certificate of Authority. On June 26, 2013, the Company filed a run-off plan with the Nevada Division of Insurance to begin the process of closing down operations.

On June 12, 2014, the Nevada Insurance Commissioner was appointed as Permanent Receiver of the Company by the First Judicial District Court of the State of Nevada (the “Court”). On June 17, 2014, an Amended Order Appointing Commissioner as Permanent Receiver for Physicians Benefit Resources Risk Retention Group, Inc., Order of Liquidation, and Other Permanent Relief (the “Permanent Receivership and Liquidation Order”) was entered by the Court.

On June 12, 2014, then Commissioner Scott J. Kipper, as Permanent Receiver of the Company, retained David E. Wilson as Receivership Manager. The Receivership Manager was authorized to retain the services of Scott Pearce of Regulatory Services Group (RSG) as his Receivership Supervisor, and other staff of RSG as necessary. As provided for by the Permanent Receivership and Liquidation Order, the Receiver and Receivership Manager are

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

3 Amy L. Parks, Esq., was appointed to serve as Acting Nevada Commissioner
4 of Insurance upon the July 2, 2015, resignation of Nevada Insurance Commissioner Scott J.
5 Kipper.

6 II. RECEIVERSHIP ADMINISTRATION

7 A. Notices of Receivership and Notification to Interested Parties

8 The Receivership Manager believes it has given notice of the Receivership to all
9 interested parties and has provided claim forms for all recognized potential creditors and
10 stakeholders. Additionally, the RSG website was updated with the notice and links to view the
11 permanent receivership and liquidation order.

12 The Receivership Manager published national legal notice of the liquidation proceeding
13 and proof-of-claim process on May 15, 2015, in the *Wall Street Journal* with notice of the
14 Claims Bar Date.

15 B. Proof of Claims Process

16 The Receivership Manager mailed legal notice together with Proof of Claims ("POC")
17 packets to all recognized potential creditors of the Company on May 15, 2015. The notice
18 advised creditors of the November 15, 2015, claims-bar-date. Six claims were timely filed and
19 there have not been any requests for late-filing claims. We believe the six claims represent the
20 entire population of claims. The six claims are:

21 (1) the Court approved \$1,000,000 policyholder class claim (priority b) in the Johnson
22 v. Cho matter; per Court approval \$950,000 has been paid, and the residual \$50,000 appears
23 to be the sole remaining Class (b) obligation;

24 (2) the Nevada Commissioner's claim for unpaid pre-liquidation licensure of \$550
25 (priority e), likely to be approved and fully paid;

26 (3) Attorney Staub's unpaid invoices where we have reached an agreement to resolve
27 for an approved claim of \$1,820 after offset for an ostensible preference payment (priority g);

28 (4) Sterling Smith Insurance Services unpaid underwriting services which have been

1 approved for the amount of \$111,278.52 (priority g).

2 (5) Craig Benson's claim for \$6,812.50 for consulting services to PBR which is being
3 investigated for a potential preference offset (priority g); and,

4 (6) Dr. Derrick Cho's claim for \$192,026.33 for inadequate defense coverage under the
5 PBR liability policy covering the Michael Johnson claim (probable priority g). This claim has
6 been tentatively rejected, but discussions are continuing.

7 The Receivership Manager has reviewed all six POC filings per Exhibit "1" (filing
8 pursuant to NRS 696B.330.6). The Class (b) claim has been approved by the Court;
9 the Class (e) claim is straightforward and will be approved as submitted; and of the four
10 priority-(g) POCs, two have agreements in place and the other two are in active negotiation.
11 Should either of the two claims currently being negotiated result in a Receiver's Determination
12 and subsequent appeal, the Court will be so notified and procedures consistent with
13 NRS 696B.330.7 and 696B.330.8 will be confirmed with the Court.

14 **C. Policyholder Related Claims**

15 As noted, at the time of this Seventh Status Report, the Receivership Manager
16 continues to believe that there is a sole policyholder Class (b) claim which has been
17 addressed and approved by the Court, and it represents the entirety of PBR's policyholder
18 claim liability under NRS 696B.420(1)(b).

19 **D. Reinsurance**

20 The Receivership Manager has billed and collected the entire \$950,000 in reinsurance
21 proceeds due the PBR receivership estate. The Receivership Manager does not anticipate
22 any further reinsurance recoveries.

23 **E. Records and Assets Control**

24 The Receivership Manager believes it is in control of all known relevant books and
25 records of the Company.

26 **F. Financial Analysis**

27 As of November 30, 2015, the Company had a cash balance of \$75,948, and the
28 Receivership Manager is unaware of any other recoverable assets associated with the

1 PBR estate. The Company has a single \$50,000 policy-level, class (b) claim remaining to be
2 paid and estimates pre-liquidation service provider expense liabilities to be in excess of
3 \$200,000. The Receivership Manager has incurred approximately \$202,174 in class (a)
4 administration expenses from the June 2014 inception of the receivership proceeding through
5 November 30, 2015. Additionally, the Receivership Manager has distributed \$950,000
6 towards the payment of the receivership estate's \$1 million in class (b) policyholder liability.
7 The Receivership Manager, working with Langwasser and Associates, filed the 2014 Federal
8 Tax Return on behalf of the receivership estate. There were no estimated taxes due.

9 The Receivership Manager had a receipts-and-disbursements' review performed by a
10 third-party vendor for all amounts received and paid by the receivership estate from the
11 inception date of the receivership, June 17, 2014, through December 31, 2014. The review
12 was performed to determine whether the receipts and disbursements of the receivership were
13 properly supported and accounted for. The review report concluded that all invoices and
14 expenses were properly supported and accounted for, and no findings were reported.

15 The Receivership Manager continues to monitor available cash while working to place
16 the receivership estate in the best possible position to pay the final \$50,000 in class (b)
17 policyholder claim liability and close the estate. While there never was a substantial amount
18 of money estimated to be available for distribution to remaining creditors, the receivership
19 expenses incurred to date to (1) actively facilitate the resolution of the policy claim; (2) collect
20 the resulting reinsurance; and (3) obtain court approval and distribute the reinsurance
21 proceeds have exhausted assets more quickly than originally projected. The receivership
22 estate still will have costs associated with other requirements to properly shut the estate (such
23 as filing tax returns) and must ensure that sufficient funds are reserved to do so.

24 III. CONCLUSION

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

28 ///

AFFIRMATION

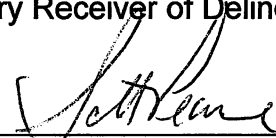
Pursuant to NRS 239B.030, the undersigned does hereby affirm that the preceding document, *Seventh Status Report*, filed in this case 14-OC-00114-1B, does not contain the personal information of any person.

DATED: January 13, 2016

Respectfully submitted:

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

By:


SCOTT PEARCE
Regulatory Services Group
Receivership Supervisor

Respectfully submitted by:

ADAM PAUL LAXALT
Attorney General

By:


RICHARD PAILI YIEN
Deputy Attorney General
Nevada Bar No. 13035
100 N. Carson St
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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 13th day of January 2016, I served a copy of the foregoing **SEVENTH STATUS REPORT** by depositing for mailing at Carson City, Nevada, a true and correct copy in first class mail, postage prepaid, fully addressed to:

**David E. Wilson
CEO, SDIC
Conservation and Liquidation Office
100 Pine Street, 26th Floor
San Francisco, CA 94111**

and via interoffice mail to:

**Amy L. Parks, Acting Commissioner of Insurance
Division of Insurance
Attn: Terri Verbrughen
1818 E. College Parkway, Ste. 103
Carson, City, NV 89706**



An Employee of the
Office of the Attorney General

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100 North Carson Street
Carson City, Nevada 89701-4717

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LIST OF EXHIBITS

**to
Sixth Status Report**

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| Exhibit Number | Exhibit Description | Number of Pages [Does NOT include List or Exhibit Cover Page/s] |
|-----------------------|---|--|
| 1 | POC Filings Pursuant to NRS 696B.330(b) | 1 |

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EXHIBIT 1
to
Seventh Status Report

EXHIBIT 1
to
Seventh Status Report

EXHIBIT "A"**PBR CLAIMS FILED
Claims Report per NRS 696B.330(6)**

| POC No. | Claimant Name | Claimed Amount | Returned Date | Probable Priority | Approve Amount | Status |
|----------------|-------------------------------|-----------------------|----------------------|--------------------------|-----------------------|-------------------------------|
| 190039 | Michael Johnson | \$1,000,000 | Timely | (b) | \$1,000,000 | Court Approved |
| 190019 | Nevada Insurance Commissioner | \$550.00 | Timely | (e) | \$550.00 | To be approved @ \$550.00 |
| 190003 | Richard Staub, LLP | Not stated | Timely | (g) | \$1,820.00 | Approved @ \$1,820.00 |
| 190030 | Sterling Smith | \$111,278.52 | Timely | (g) | \$111,278.52 | To be approved @ \$111,248.52 |
| 190002 | Craig Benson, Consultant | \$6,812.50 | Timely | (g) | | Evaluating Offset |
| 190034 | Derrick H. Cho | \$192,026.33 | Timely | (g) | | Tentative Rejection |