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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 HER	)	
13	OFFICIAL CAPACITY AS STATUTORY	)	Dept. No. 2
14	RECEIVER FOR DELINQUENT DOMESTIC	)	
15	INSURER,	)	
16		)	
17	Plaintiff,	)	
18		)	
19	vs.	)	
20		)	
21	PHYSICIANS BENEFIT RESOURCES RISK	)	
22	RETENTION GROUP, INC. , a Nevada	)	
23	Domiciled Association Captive Insurance	)	
24	Company,	)	
25		)	
26	Defendant	)	

21 **EIGHTH STATUS REPORT**

22 Plaintiff State of Nevada *ex rel.* Commissioner of Insurance, BARBARA D.  
23 RICHARDSON<sup>1</sup> (the "Commissioner"), in her capacity as Permanent Receiver of Physicians  
24 Benefit Resources Risk Retention Group, Inc. ("PBR" or the "Company"), and REGULATORY  
25 SERVICES GROUP ("RSG"), Receivership Manager of PBR, file this EIGHTH STATUS  
26 REPORT in the above-captioned receivership.

27 \_\_\_\_\_  
28 <sup>1</sup> Barbara D. Richardson was appointed to serve as Nevada Commissioner of Insurance on March 1,  
2016, and has assumed the receivership duties of Acting Nevada Insurance Commissioner Amy L. Parks.

Office of the Attorney General  
100 North Carson Street  
Carson City, Nevada 89701-4717

**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 II. RECEIVERSHIP ADMINISTRATION

### 4 A. Notices of Receivership and Notification to Interested Parties

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

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

### 12 B. Proof of Claims Process

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

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

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

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

25 (4) Sterling Smith Insurance Services unpaid underwriting services which has been  
26 approved for the amount of \$111,278.52 (priority g).

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

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

4 The Receivership Manager has reviewed all six POC filings per Exhibit "1" (filing  
5 pursuant to NRS 696B.330.6). The Class (b) claim has been approved by the Court;  
6 the Class (e) claim is straightforward and will be approved as submitted; and of the four  
7 priority (g) POCs, two have agreements in place, and the other two remain without agreed  
8 resolution. Should either of the two claims currently being negotiated result in a Receiver's  
9 Determination and subsequent appeal, the Court will be notified and procedures consistent  
10 with NRS 696B.330.7 and .8 will be confirmed with the Court.

11 Based on commitments and projections through June 2016, the estate will have less  
12 than \$20,000 to distribute to any approved claim below priority class (b). There is one  
13 approved priority class (e) claim for \$550. The estate plans to take positions on the two  
14 remaining claims, give the claimants the requisite 60 days to decide on possible appeal, and  
15 then seek permission from the Court to forego any further activity in the claims determination  
16 process.

17 **C. Policyholder Related Claims**

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

22 **D. Reinsurance**

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

26 **E. Records and Assets Control**

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

1 **F. Financial Analysis**

2 As of February 29, 2016, the Company had a cash balance of \$91,664, and  
3 the Receivership Manager is unaware of any other recoverable assets associated with the  
4 PBR estate. The Company has a single \$50,000 policy-level, class (b) claim remaining to be  
5 paid and estimates pre-liquidation service provider expense liabilities to be in excess of  
6 \$200,000. The Receivership Manager has incurred approximately \$209,656 in class (a)  
7 administration expenses from the June 2014 inception of the receivership proceeding through  
8 February 29, 2016. Additionally, the Receivership Manager has distributed \$950,000 towards  
9 the payment of the receivership estate's \$1 million in class (b) policyholder liability. The  
10 Receivership Manager, working with Langwasser and Associates, is preparing the 2015  
11 Federal Tax Return on behalf of the receivership estate. The Receivership Manager  
12 anticipates there will be no estimated taxes due.

13 Consistent with 2015, the Receivership Manager will have a receipts-and-  
14 disbursements' review performed by a third-party audit vendor for all amounts received and  
15 paid by the receivership estate from December 31, 2014, to December 31, 2015. The review  
16 is performed to determine whether the receipts and disbursements of the receivership were  
17 properly supported and accounted for.

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

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**III. CONCLUSION**

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

**AFFIRMATION**

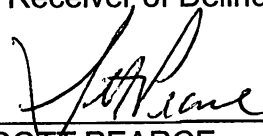
Pursuant to NRS 239B.030, the undersigned affirms that the preceding document, *Eighth Status Report*, filed in this case 14-OC-00114-1B, does not contain the personal information of any person.

DATED: April 11, 2016

Respectfully submitted:

Barbara D. Richardson, Commissioner of Insurance  
of the State of Nevada, in her Official Capacity as  
Statutory Receiver of Delinquent Domestic Insurers

By:

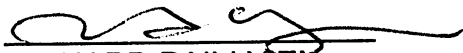


SCOTT PEARCE  
Regulatory Services Group  
Receivership Supervisor

Respectfully submitted by:

ADAM PAUL LAXALT  
Attorney General

By:



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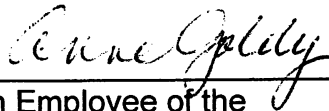
**CERTIFICATE OF SERVICE**

I hereby certify that I am an employee of the State of Nevada, Office of the Attorney General, and that on the 11<sup>th</sup> day of April 2016, I filed a copy of the foregoing **EIGHTH 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, 26<sup>th</sup> Floor  
San Francisco, CA 94111**

and via interoffice mail to:

**Barbara Richardson, Commissioner of Insurance  
Division of Insurance  
Attn: Terri Verbrugghen  
1818 E. College Parkway, Ste. 103  
Carson, City, NV 89706**



\_\_\_\_\_  
An Employee of the  
Office of the Attorney General

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# LIST OF EXHIBITS

to  
Eighth Status Report

Exhibit Number	Exhibit Description	Number of Pages [Includes Exhibit Cover Page]
1	POC Filings Pursuant to NRS 696B.330(b)	2

Office of the Attorney General  
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**EXHIBIT 1**  
to  
**Eighth Status Report**

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**EXHIBIT 1**  
to  
**Eighth Status Report**

**EXHIBIT "1"**

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

<b>POC No.</b>	<b>Claimant Name</b>	<b>Claimed Amount</b>	<b>Returned Date</b>	<b>Probable Priority</b>	<b>Approve Amount</b>	<b>Status</b>
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
<b>Unlikely to have assets to pay claims below this level.</b>						
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	Approved @ \$111,278.52
190002	Craig Benson, Consultant	\$6,812.50	Timely	(g)		To Evaluate No assets position
190034	Derrick H. Cho	\$192,026.33	Timely	(g)		To Reject claim