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

10 STATE OF NEVADA, EX REL.)
11 COMMISSIONER OF INSURANCE, IN HER)
12 OFFICIAL CAPACITY AS STATUTORY)
13 RECEIVER FOR DELINQUENT DOMESTIC)
14 INSURER,)
15)
16 Plaintiff,)
17)
18 vs.)
19 PHYSICIANS BENEFIT RESOURCES RISK)
20 RETENTION GROUP, INC. , a Nevada)
21 Domiciled Association Captive Insurance)
22 Company,)
23)
24 Defendant)

Case No. 14 OC 00114 1B
Dept. No. 2

TENTH AND FINAL STATUS REPORT
APPLICATION OF INSURANCE
COMMISSIONER, AS LIQUIDATOR,
FOR AN ORDER APPROVING
FINAL REPORT AND ACCOUNT, AND
MOTION TO TERMINATE LIQUIDATION

TENTH AND FINAL STATUS REPORT

Plaintiff State of Nevada *ex rel.* Commissioner of Insurance, BARBARA D. RICHARDSON (the "Commissioner"), in her 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 TENTH and FINAL STATUS REPORT in the above-captioned receivership.

I. INTRODUCTION AND HISTORICAL BACKGROUND

PBR was a captive insurance company operating as a risk retention group,

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1 incorporated and organized under the Nevada Insurance laws and the Liability Risk Retention
2 Act of 1986. The company was domiciled in the State of Nevada and received its Certificate of
3 Authority on July 20, 2010, and operated under the authority of Nevada Revised Statutes
4 ("NRS") Chapter 694C.

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

9 On December 31, 2012, the Company reported a Capital and Surplus balance of
10 \$149,013. In accordance with NRS 694C.250(1), the Company was unable to maintain the
11 required minimum Capital and Surplus balance of \$500,000. As a consequence of failing
12 to restore the minimum Capital and Surplus balance by April 30, 2013, the Company agreed
13 to a voluntary suspension of its Certificate of Authority. On June 26, 2013, the Company
14 filed a run-off plan with the Nevada Division of Insurance to begin the process of closing down
15 operations.

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

22 On June 12, 2014, then Commissioner Scott J. Kipper, as Permanent Receiver of the
23 Company, retained David E. Wilson as Receivership Manager. The Receivership Manager
24 was authorized to retain the services of Scott Pearce of Regulatory Services Group (RSG) as
25 his Receivership Supervisor, and other staff of RSG as necessary. As provided for by the
26 Permanent Receivership and Liquidation Order, the Receiver and Receivership Manager are
27 authorized to conduct the business of the Company and to administer its affairs for the
28 protection of all secured creditors, insureds, policyholders, and general creditors.

II. RECEIVERSHIP ADMINISTRATION

A. Notices of Receivership and Notification to Interested Parties

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

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

B. Proof of Claims Process and Final Distribution

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

(1) the Court approved \$1,000,000 policyholder class claim (priority b) in the Johnson v. Cho matter; per Court approval, \$950,000 has been paid; on September 1, 2016, a final distribution of the residual \$50,000 was completed;

(2) a final distribution to the Nevada Commissioner's claim for unpaid pre-liquidation licensure of \$550 (priority e) was completed;

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

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

(5) Craig Benson's claim for \$6,812.50 for consulting services to PBR (priority g); and,

(6) Dr. Derrick Cho's claim for \$192,026.33 for inadequate defense coverage under the PBR liability policy covering the Michael Johnson claim (probable priority g). This claim was rejected and no appeal was requested within the 60-day window allowed by NRS 696B330(7).

1 The Receivership Manager completed its review and determination of the six POC
2 filings per Exhibit "1" (filing pursuant to NRS 696B.330.6). The single policyholder Class (b)
3 claim (Johnson) has been approved by the Court and a partial distribution has occurred; the
4 Class (e) claim (Nevada Insurance Commissioner) is straightforward and has been approved
5 as submitted; and of the four priority (g) POCs, three have agreements in place, and the fourth
6 was rejected and is now beyond an appeal period.

7 Based on the final estate requirements (final tax submissions and estate closure tasks)
8 and the associated expense projections through October, 2016, the estate will have no
9 remaining assets to distribute to any approved claim below priority class (e). In accordance
10 with this Court's approval, the Receivership Manager has now completed the final distribution
11 of the final \$50,000 owed to the single Class (b) policyholder creditor, Michael Johnson, and
12 \$550 to the sole Class (e) creditor. After establishing the necessary reserve to fund the
13 estate's final tax return and a few closing tasks, there are no assets available to fund any
14 portion of the three Class (g) creditors whose claims total an aggregated amount of
15 \$119,911.02.

16 **C. Reinsurance**

17 The Receivership Manager has billed and collected the entire \$950,000 in reinsurance
18 proceeds due the PBR receivership estate. As the bar date has passed and the estate is
19 seeking authority to close, there will be no further reinsurance activity.

20 **D. Records Retention**

21 Since there no longer are any assets in the estate, the Receivership Manager
22 proposes, upon receipt of a closing order, to destroy all records other than those supporting
23 open tax years.

24 **E. Financial Analysis**

25 As of September 30, 2016, the Company had a cash balance of approximately
26 \$10,000, and the Receivership Manager is unaware of any other recoverable assets
27 associated with the PBR estate. The remaining \$10,000 will be reserved for preparation of
28 the 2016 Federal Tax Return and to cover the few remaining closing activities by the

1 Receivership Manager. Pre-liquidation service provider expense liabilities are fixed at
2 \$119,911.02. The Receivership Manager has incurred approximately \$234,967 in class (a)
3 administration expenses from the June 2014 inception of the receivership proceeding through
4 August 31, 2016. Additionally, the Receivership Manager has distributed \$1,000,000 towards
5 the payment of the receivership estate's \$1 million in class (b) policyholder liability and
6 distributed \$550 to the Nevada Division of Insurance class (e) creditor claim. The
7 Receivership Manager, working with Langwasser and Associates, has completed and filed the
8 2015 Federal Tax Return on behalf of the receivership estate and will file the final 2016 tax
9 return. The Receivership Manager anticipates there will be no estimated taxes due.

10 Consistent with 2015, the Receivership Manager completed a receipts-and-
11 disbursements' review performed by a third-party audit vendor for all amounts received and
12 paid by the receivership estate from January 1, 2015, to December 31, 2015. The review is
13 performed to determine whether the receipts and disbursements of the receivership were
14 properly supported and accounted for. The review identified one finding related to the timing
15 of payment of certain invoices. Other than the timing of certain payments that required court
16 approval, the review had no other findings.

17 III. CONCLUSION

18 In compliance with the Court's instructions for a status report regarding the affairs of
19 the Company, the Receivership Manager submits this Tenth and Final Report and seeks the
20 Court's approval to terminate this liquidation proceeding.

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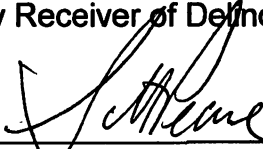
AFFIRMATION

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

DATED: October 7, 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: 
RICHARD PAILLYIEN
Deputy Attorney General
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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 7th day of October 2016, I filed a copy of the foregoing **TENTH and FINAL 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:

**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

Tenth and Final Status Report

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Exhibit Number	Exhibit Description	Number of Pages [Does Not Include this List of Exhibits Cover Page]
1	POC Filings Pursuant to NRS 696B.330(b)	2

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EXHIBIT 1
to
Tenth and Final Status Report

EXHIBIT 1
to
Tenth and Final Status Report

EXHIBIT "1"

PBR CLAIMS FILED
Claims Report per NRS 696B.330(6)
All Claims now FINAL

POC No.	Claimant Name	Claimed Amount	Returned Date	Probable Priority	Approve Amount	Status
CLAIMS PAID						
190039	Michael Johnson	\$1,000,000	Timely	(b)	\$1,000,000	Paid
190019	Nevada Insurance Commissioner	\$550.00	Timely	(e)	\$550.00	Paid
NO ASSETS TO PAY THESE CLAIMS						
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)	\$6,812.50	Approved @ \$6,812.50
					\$119,911.02	Total
190034	Derrick H. Cho	\$192,026.33	Timely	(g)		Rejected