



CLERK OF THE COURT

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12 **IN THE EIGHT JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**

13 STATE OF NEVADA, EX REL.  
14 COMMISSIONER OF INSURANCE, IN HIS  
15 OFFICIAL CAPACITY AS STATUTORY  
16 RECEIVER FOR DELINQUENT DOMESTIC  
17 INSURER,

Plaintiff,

vs.

18 PROAIR Risk Retention Group, Inc.,

Defendant

Case No. A-14-705863

Dept: XXIV

19 **SECOND STATUS REPORT**

20 COME NOW, Scott J. Kipper, Commissioner of Insurance (the "Commissioner") for the  
21 State of Nevada in his capacity as Permanent Receiver of PROAIR Risk Retention Group,  
22 Inc., ("PROAIR" or the "Company"), and Regulatory Services Group ("RSG"), Receivership  
23 Manager of PROAIR, and file this first Status Report in the above-captioned receivership.

24 **I. INTRODUCTION AND HISTORICAL BACKGROUND**

25 PROAIR is an association captive insurance company operating as a risk retention  
26 group under the authority of Nevada Revised Statutes Chapter 694C and is incorporated and  
27 organized under the Nevada Insurance laws and the Liability Risk Retention Act of 1986.  
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1 PROAIR is domiciled in the state of Nevada and received its Certificate of Authority on July  
2 25, 2008. As an association risk retention group, the subscribers of PROAIR operate through  
3 an Attorney-In-Fact, T. Edwards, LLC, a Nevada domestic limited liability company, to enable  
4 the exchange of contracts of insurance among themselves. PROAIR's program provides  
5 liability insurance to its subscribers – pilots and pilot groups specializing in the Air Tractor  
6 industry.

7 PROAIR's June 30, 2014 financial statement, pursuant to NRS 680A.270, reported  
8 total assets of \$511,233 and total liabilities of \$511,902 resulting in negative working capital  
9 of -\$669. As such, PROAIR was unable to meet its requirements to maintain \$500,000 in  
10 minimum capital and surplus in accordance with NRS 694C.250(1). As of December 15, 2014  
11 the PROAIR bank account balance was \$7,087 and the Company had a \$500,000 Letter of  
12 Credit held at Wells Fargo Bank. As a result of PROAIR's insolvency, with no apparent plan  
13 or resources to recapitalize the Company, on July 10, 2014 at a special meeting of the Board  
14 of Directors it was resolved by unanimous vote that in accordance with the bylaws and  
15 subscribers agreement of the Company that the Company's captive manager was authorized  
16 to petition the State of Nevada Division of Insurance to place the Company into voluntary  
17 receivership pursuant to NRS 696B. Further, a formal consent to liquidation by PROAIR's  
18 properly seated board of directors also serves as grounds for liquidation pursuant to NRS  
19 696B.220(6).

20 On November 14, 2014, an Order Appointing the Nevada Insurance Commissioner as  
21 Permanent Receiver of PROAIR. (the "Permanent Receivership Order") was entered by the  
22 Eighth Judicial District Court of the State of Nevada for Clark County (the "Court").

23 On November 6, 2014, Commissioner Kipper as Permanent Receiver of PROAIR  
24 retained David E. Wilson and Regulatory Services Group ("RSG") as Receivership Manager.  
25 The Receivership Manager was authorized to retain the services of Scott Pearce of RSG as  
26 his Receivership Supervisor. As provided for by the Permanent Receivership and Liquidation  
27 Order, the Receiver and Receivership Manager are authorized to conduct the business of  
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1 PROAIR and to administer its affairs for the protection of all secured creditors, insureds,  
2 policyholders, and general creditors.

3 The Permanent Receivership Order appointed the Commissioner as Permanent  
4 Receiver pursuant to NRS 696B.220 for the purpose of liquidating the business of insolvent  
5 PROAIR and granted other permanent relief

## 6 II. RECEIVERSHIP ADMINISTRATION

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

8 The Receivership Manager continues to provide notice of the receivership proceeding  
9 apprising any known interested parties or claimants of the receivership and pending  
10 liquidation of PROAIR. Additionally, the Regulatory Services Group website is periodically  
11 updated with any material developments and information as well as links to view and obtain  
12 copies of the permanent receivership order and any subsequent pleadings filed in the  
13 PROAIR receivership.

14 The Receivership Manager has completed service of a certified copy of the permanent  
15 receivership order on the Company's depository banking partner Well Fargo Bank and has  
16 taken full authority over PROAIR's sole bank account.

17 Counsel for the Receiver and RSG together continue to receive and address periodic  
18 inquiries from stakeholders or interested parties that have been provided notice of the  
19 receivership. As reported in a prior PROAIR status filing with the Court copies of the  
20 permanent receivership and liquidation order have been served upon both Constance  
21 Akridge, Esq., counsel for Risk Services LLC., and the Corporation Service Company ("CSC")  
22 in their capacities as the former captive manager and registered agent of service respectively  
23 for PROAIR. In addition, RSG delivered copies of the Permanent Receivership Order to  
24 Trevor Edwards and T. Edwards, LLC as the Attorney-In-Fact of PAIR; Morris, Manning and  
25 Martin, LLP in their capacity as legal counsel to Mr. Edwards as Attorney-In-Fact for PAIR; all  
26 members of the Board of Directors of PROAIR; all known subscribers to PROAIR as well as  
27 all known reinsurers, brokers, reinsurance intermediaries, professional service providers and  
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1 any other known stakeholders to PROAIR. The Receiver published legal notice of the  
2 permanent receivership proceeding in the Wall Street Journal as PROAIR wrote insurance in  
3 several different areas of the country. This was done as part of the proof of claims process.

4 **B. Policyholder Related Claims**

5 As of February 28, 2015 PROAIR had five known open claims totaling approximately  
6 \$360,000 in estimated policy liability. Final policyholder liability will be determined after  
7 completion of the Receivership Manager's evaluation of all properly submitted claims through  
8 the Proof of Claim process. PROAIR insured each of the claimants for liability coverage.  
9 PROAIR's open claims are not covered by any insurance guaranty statutes but the Company  
10 has a reinsurance program in place that may serve to pay a portion of any claims exposure or  
11 other claim-related obligations that may result from the open claims.

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

13 As of February 28, 2015 and based upon available information the Receivership  
14 Manager estimates approximately \$191,171 in general creditor and/or other enterprise claims  
15 in addition to the known policy liability. In accordance with the statutory claims-priority  
16 scheme, the Receivership Manager will need to evaluate the claims through the Proof of  
17 Claim process, determine the proper class of the claim under NRS 696B.420. If the  
18 Receivership Manager does not have sufficient assets to pay all approved policyholder claims  
19 in full, he will forego any additional work and costs associated with reviewing and determining  
20 lower priority claims as there will be no assets to satisfy such claims.

21 **D. Proof of Claim Process**

22 The Receivership Manager will review and determine the merit of the open claims via a  
23 proof of claims process and will seek to address any approved obligations in accordance with  
24 the Receivership Order and PROAIR's limited resources. Publication of the legal notice and  
25 actual mailing of Proof of Claim forms and instructions happened in the last week of January,  
26 2015. The Receivership Manager believes that all known potential creditors of the estate have  
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1 been identified, and a Proof of Claim form has been sent to each potential creditor. The claims  
2 bar date was established at July 31, 2015.

3 **E. Reinsurance**

4 Of the five known open policy claims, none appear to have incurred losses that would  
5 exceed PROAIR's retention threshold under the applicable reinsurance treaty. Under the  
6 2013 treaty, approved claims are recoverable from London reinsurers in the amount of  
7 \$650,000 in excess of a \$350,000 retention per each loss. In addition, PROAIR owes  
8 reinsurers the 4Q13 premium deposit and the June 30, 2014 premium adjustment of \$25,700  
9 which may be offset against any future reinsurance recoveries.

10 **F. Records and Assets Control**

11 The Receivership Manager has essentially completed the process of taking control and  
12 possession of PROAIR's books and records, both tangible and electronic. The majority of  
13 PROAIR's records are maintained in electronic form, and were held by its captive manager  
14 Risk Services, LLC or by the Company's Attorney-In-Fact, Trevor Edwards of T. Edwards,  
15 LLC. The Receivership Manager has set up a secure web-based location to have all of  
16 PROAIR's books and records transferred to. Although many of PROAIR's records were being  
17 held by parties in various states, the process of collecting all of PROAIR's documents and  
18 information is essentially complete and the Receivership Manager has compiled what appears  
19 to be a comprehensive collection of the risk retention group's books and records.

20 In addition to records control, the Receivership Manager now has completed the  
21 transition of control over PROAIR's bank account at Wells Fargo Bank. The Receivership  
22 Manager has not located and is not aware of any other material assets beyond the Wells  
23 Fargo Bank account balance (including the LOC proceeds) belonging to PROAIR with the  
24 exception of the reinsurance program that may serve to pay a portion of any approved policy  
25 related claims. The Receivership Manager will seek recovery of the reinsurance upon  
26 determination of the policy related claims where such claims exceed the treaty retention level.

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1 Actual reinsurance collections will be determined as policy claims are determined through the  
2 proof of claims process.

3 **G. Financial Analysis**

4 As of February 28, 2015 PROAIR's Wells Fargo bank account had a balance of  
5 \$509,727. Through February 28, 2015 the Receivership Manager has incurred \$45,615 in  
6 administration expenses. Considering the current cash assets less administrative expenses  
7 PROAIR has as of February 28, 2015 total assets of approximately \$464,112. At February  
8 28, 2015 PROAIR continues to estimate in excess of \$551,171 in both policy related claims  
9 and enterprise/vendor expense liabilities. The Receivership Manager has commenced a  
10 formal POC process to determine the ultimate claim and creditor obligations of the risk  
11 retention group and will pursue recovery of any reinsurance assets for claims that pierce the  
12 retention level of the applicable treaty. Thereafter the Receivership Manager will seek court  
13 approval to distribute PROAIR's remaining assets in accordance with NRS 696B.420.

14 **III. CONCLUSION**

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

18 DATED: March 27, 2014.

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

22 By: /s/ Scott Pearce  
23 Scott Pearce  
24 Regulatory Services Group  
25 Receivership Supervisor

26 Respectfully submitted by:

27 CATHERINE CORTEZ MASTO  
28 Attorney General

By: /s/ Joanna N. Grigoriev  
Joanna N. Grigoriev  
Senior 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 27<sup>th</sup> day of March, 2015 I served the foregoing SECOND STATUS REPORT via US Mail addressed as follows:

Constance Akridge, Esq.  
Holland & Hart, LLP  
9555 Hillwood Drive, 2<sup>nd</sup> Floor  
Las Vegas, NV 89134

CSC of Nevada, Inc.  
2215-B Renaissance Drive  
Las Vegas, NV 89119

/s/ Marilyn Millam  
An employee of the Office of the Attorney General