



CLERK OF THE COURT

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8 **IN THE EIGHTH JUDICIAL DISTRICT COURT**

9 **IN AND FOR THE COUNTY OF CLARK**

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)
20 PROAIR Risk Retention Group, Inc.,)
21)
22)
23 Defendant)
24)
25)
26)
27)
28)

Case No. A-14-7-705863
Dept. No. IV

19 **FIFTH STATUS REPORT**

20 COME NOW, Amy L. Parks, Acting Commissioner of Insurance (the "Commissioner")
21 for the State of Nevada in her capacity as Permanent Receiver of PROAIR Risk Retention
22 Group, Inc., ("PROAIR" or the "Company"), and Regulatory Services Group ("RSG"),
23 Receivership Manager of PROAIR, and file this Fifth Status Report in the above-captioned
24 receivership.

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Office of the Attorney General

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

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

11 II. RECEIVERSHIP ADMINISTRATION

12 A. Notices of Receivership and Notification of Interested Parties

13 The Receivership Manager continues to provide information of the receivership
14 proceeding to known interested parties or claimants of the receivership. The Claims Bar Date
15 was 7/31/2015 and most inquiries involve filed claims. The Receiver published legal notice of
16 the permanent receivership proceeding in the Wall Street Journal as PROAIR wrote insurance
17 in several different areas of the country. The national publication was completed as part of the
18 proof of claims ("POC") process. Additionally, the Regulatory Services Group website is
19 periodically updated with any material developments and information as well as links to view
20 and obtain copies of the permanent receivership order and any subsequent pleadings filed in
21 the PROAIR receivership.

22 B. The Claims Process

23 On February 3, 2015 the Receivership Manager mailed Proof of Claim ("POC") packets
24 to all known potential creditors of PROAIR with a Claims Bar Date of July 31, 2015. As of the
25 bar date seven (7) Class (b) policyholder claims (NRS 696B.420) were received; however,
26 one policyholder returned a notice indicating two additional potential unresolved claims. Late
27 filing approval notice was given to those two potential claimants, and they timely filed prior to
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1 the extended Bar Date of November 16, 2015 A total liability of \$1,482,484.41 has been
2 claimed in the initial policyholder class of returned claims. Final policyholder liability will be
3 determined after completion of the Receivership Manager's evaluation of all properly
4 submitted claims through the Proof of Claim process. (See Exhibit "A" for listing of all filed
5 claims as required by NRS 696B.330(6)). (Do note that Fields and Van Dalen claims are
6 combined as we have not been provided a segregation of damages.).

7 Fifteen additional claims were timely filed, but they all appear to be in priority levels
8 below the policyholder level Class (b) claims, and these claims will not be evaluated until the
9 policyholder class claims are determined (see NRS 696B.330(4)) and it is determined that
10 there are sufficient cash assets available to pay in the class. Depending on circumstances, we
11 do believe that certain POCs dealing with attorney fees may have to be elevated from Class
12 (g) to Class (b).

13 **C. Completion of Proof of Claim Process**

14 The Receivership Manager has made contact with all policyholder level claims timely
15 submitted. The Receivership Manager continues to attempt to reach an agreed resolution with
16 each of the claimants after developing all the necessary information for evaluating their
17 claims. These are liability claims, generally devoid of significant coverage issues, but certainly
18 subject to ranges of alleged damages. It will be prudent and efficient for the Receivership
19 Manager to achieve agreed resolutions rather than engaging in a contentious process to
20 resolve these matters. If the Receivership Manager is unable to satisfactorily resolve the
21 remaining POCs, the Receivership Manager will comply with the claims review process
22 articulated in NRS 696B.330(7).

23 Depending on the status of the remaining policyholder class claims at the time of the
24 next status filing, the Receivership Manager may ask the Court for establishment of a final
25 filing date to "liquidate" claims consistent with the requirements of NRS 696B.450 (1)(a).
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1 **D. Reinsurance**

2 Of the known policy-related POCs received, none are likely to have incurred losses that
3 would exceed PROAIR's retention threshold under the applicable reinsurance treaty. Under
4 the 2013 treaty, approved claims are recoverable from London reinsurers in the amount of
5 \$650,000 in excess of a \$350,000 retention per each loss. In addition, PROAIR owes
6 reinsurers the 4Q13 premium deposit (reflected in the Class (g) section of Exhibit "A").

7 **E. Records and Assets Control**

8 The Receivership Manager has control of PROAIR's known books and records, both
9 tangible and electronic. The majority of PROAIR's records are maintained in electronic form,
10 and were held by its captive manager Risk Services, LLC or by the Company's Attorney-In-
11 Fact, Trevor Edwards of T. Edwards, LLC. Although many of PROAIR's records were being
12 held by different parties in various states, the process of collecting all of PROAIR's documents
13 and information is essentially complete and the Receivership Manager has compiled what
14 appears to be a comprehensive collection of the risk retention group's known books and
15 records.

16 In addition to records control, the Receivership Manager has control over PROAIR's
17 bank account at Wells Fargo Bank. The Receivership Manager has not located and is not
18 aware of any other material assets beyond the current Wells Fargo Bank account balance
19 belonging to PROAIR with the potential exception of the reinsurance program that may serve
20 to pay a portion of any approved policy related claims. The Receivership Manager will seek
21 recovery of the reinsurance upon determination of the policy related claims where such claims
22 exceed the treaty retention level. Actual reinsurance collections will be determined as policy
23 claims are determined through the POC process and any resulting cessions are prepared and
24 submitted through the broker to the reinsurers.

25 **F. Financial Analysis**

26 As of November 30, 2015 PROAIR's Wells Fargo Bank account had a balance of
27 \$405,290. The Receivership Manager also holds a \$50,000 retainer. Through November 30,
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1 2015 the Receivership Manager has incurred \$85,533 in administration expenses, including
2 incurred but unpaid expenses. Considering the current cash assets less \$35,859 in incurred
3 but unpaid administrative expenses PROAIR has as of November 30, 2015 total current cash
4 assets of approximately \$419,431 (including retainer). At November 30, 2015 PROAIR
5 estimates well in excess of \$1,482,400 in both policy related claims and enterprise/vendor
6 expense liabilities.

7 The Receivership Manager had a receipt and disbursement review performed by a third
8 party vendor for all amounts received and paid by the receivership estate from the date of the
9 liquidation to December 31, 2014. The review was performed to determine whether the
10 receipts and disbursements of the receivership estate were properly supported and accounted
11 for. The review identified one finding related to the timing of payment of certain invoices.
12 While acting in the capacity of Receivership Manager RSG must submit incurred expenses for
13 both regulatory and judicial approval prior to payment. The delay in paying the incurred but
14 unpaid invoices is due to the time necessary to gain the necessary approvals. The report
15 concluded that all invoices and expenses were properly supported and accounted for. The
16 finding related to the timing of payment is not deemed to be material.

17 As reported above after determining the ultimate claim and creditor obligations of the
18 risk retention group and any associated recovery of reinsurance assets for claims that may
19 pierce the retention level of the applicable treaty, the Receivership Manager will seek court
20 approval to distribute PROAIR's remaining assets in accordance with NRS 696B.420.

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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 30th day of December, 2015 I served the foregoing FIFTH STATUS REPORT addressed as follows:

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

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

Office of the Attorney General

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EXHIBIT A

EXHIBIT A

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PROAIR FILED POC STATUS

POC No.	Claimant Name	Claimed Amount	Approval Amount	Priority	Status
400052	Gallatin Grown, LLC	\$ 107,231.18	\$40,000.00	b	Resolved
400098	Benny White Flying Service	\$ 101,706.83	\$0.00	b	PAIR Claim-Not PROAIR
400107	Countryside Aviation, LLC	\$0.00	\$0.00	b	No claim*
400117	Headwaters Flying Service	\$ 25,000.00		b	To Prove-up
400132	O'Brien Flying Service	\$ 212,573.70		b	In context of Crest claim
400141	Rusty's Flying Service	\$ 35,972.70	\$35,972.70	b	Resolved
400146	STEIER AG AVIATION, INC.	\$ -		b	PAIR Claim-Not PROAIR
400167	Fields & Van Dalen	\$ 1,000,000.00		b	Damages Unsubstantiated
	TOTAL	\$ 1,482,484.41		b	
400073	Nevada Division of Insurance	\$ 826.21		e	Exam Fees
400017	Illinois State Treasurer	\$ -		e	Zero \$ claim presented
400155	Risk Services, LLC	\$ 11,965.14		g	Management Fees
400160	LLOYD'S UNDERWRITER SYND NO. 2010MMX	\$ 26,137.50		g	Reinsurance-Premium
400161	ATRIUM AVIATION CONSORTIUM, NO. 9563	\$ 8,712.50		g	Reinsurance-Premium
400162	XL RE EUROPE LIMITED	\$ 26,137.50		g	Reinsurance-Premium
400163	HANNOVER RUCKVERSICHERUNG AKTIEN	\$ 6,648.75		g	Reinsurance-Premium
400166	SCOFIELD GERARD POHORELSKY GALLAUGHER & LANDRY	\$ 64,329.00		g	Attorney Fees
400044	MORRIS, MANNING & MARTIN, LLP-ROBERT H. MYERS JR	\$ 29,533.17		g	Attorney Fees
400045	Stockwell, Sievert, Viccellio, Clements, & Shaddock, LLP	\$ 4,120.50		g	Attorney Fees-Class b ?
400165	Crowley Fleck	\$ 10,000.00		g	Attorney Fees
400164	Fred Begy	\$ -		g	Attorney Fees
400116	Hartley Flying Service, Inc.	\$ 4,713.25		k	Equity Claim
400100	Blackstone Aerial Spraying	\$ 2,100.00		k	PAIR claim-not PROAIR
400153	Trevor Edwards & Jim Hirsch	\$ 725,000.00		k	Equity Claim
		\$ 2,402,707.93			

*Countryside filed based on potential claim (Direct Action State). We had to send claim form with new bar date to potential claimant.