



CLERK OF THE COURT

1 **SR**
2 ADAM PAUL LAXALT
3 Attorney General
4 JOANNA N. GRIGORIEV
5 Senior Deputy Attorney General
6 Nevada Bar No. 5649
7 555 E. Washington Avenue, Suite 3900
8 Las Vegas, NV 89101
9 (702) 486-3101

10 Email: jgrigoriev@ag.nv.gov
11 Attorney for the Division of Insurance

12 **IN THE EIGHTH JUDICIAL DISTRICT COURT**

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

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

19 Plaintiff,

20 vs.

21 PROAIR Risk Retention Group, Inc.,

22 Defendant

Case No. A-14-7-705863

Dept. No. IV

23 **SIXTH STATUS REPORT**

24 COME NOW, Barbara Richardson¹, Commissioner of Insurance (the "Commissioner")
25 for the State of Nevada in her capacity as Permanent Receiver of PROAIR Risk Retention
26 Group, Inc., ("PROAIR" or the "Company"), and Regulatory Services Group ("RSG"),
27 Receivership Manager of PROAIR, and file this Sixth Status Report in the above-captioned
28 receivership.

¹ Richardson is hereby substituted in the place and stead of Amy L. Parks as the Receiver for Lewis and Clark LTC Risk Retention Group, Inc. as Ms. Richardson has been appointed Insurance Commissioner for the State of Nevada following Ms. Parks' service as Acting Commissioner.

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 current inquiries involve filed claims. The Receiver published legal
16 notice of the permanent receivership proceeding in the Wall Street Journal as PROAIR wrote
17 insurance in several different areas of the country. The national publication was completed as
18 part of the proof of claims ("POC") process. Additionally, the Regulatory Services Group
19 website is periodically updated with any material developments and information as well as
20 links to view and obtain copies of the permanent receivership order and any subsequent
21 pleadings filed in 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) clear Class (b) policyholder claims (NRS 696B.420) were received;
26 however, one policyholder returned a notice indicating two additional potential unresolved
27 claims. Late filing approval notice was given to those two potential claimants who were
28

1 unknown and not originally sent timely notice, and they timely filed prior to the extended Bar
2 Date of November 16, 2015 A total liability of \$1,482,484.41 has been claimed in the clear
3 policyholder class of returned claims.

4 PROAIR policies contained defense coverage and a certain amount of claims now
5 shown in Exhibit "A" (limited to 5 claims) as Class (g) claims may attach to policies and be
6 upgraded to Class (b) claims. We are analyzing those and find a mixture of corporate advice
7 (remains a Class(d) priority) to PROAIR and actual defense of individual claim actions.

8 Final policyholder liability will be determined after completion of the Receivership
9 Manager's evaluation of all properly submitted claims through the Proof of Claim process.
10 (See Exhibit "A" for listing of all filed claims as required by NRS 696B.330(6)). (Do note that
11 Fields and Van Dalen claims are combined as we have not been provided a segregation of
12 damages. Do note that a formal prove-up is due on the claim no later than 5/2/16)

13 Additional claims were timely filed, but they all appear to be in priority levels below the
14 policyholder level Class (b) claims, and these claims will not be evaluated until the
15 policyholder class claims are determined (see NRS 696B.330(4)) and it is determined that
16 there are sufficient cash assets available to pay in the class. Currently it appears that there
17 are unlikely to be assets available to pay beyond the policyholder class.

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

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

1 If the Receivership Manager is unable to resolve the Fields/Van Dalen claim because
2 of the right of action for Fields/Van Dalen against Countryside remains in a direct action state,
3 the Court may be asked for establishment of a final filing date to “liquidate” claims consistent
4 with the requirements of NRS 696B.450 (1)(a).

5 **D. Reinsurance**

6 Of the known policy-related POCs received, none are likely to have incurred losses that
7 would exceed PROAIR’s retention threshold under the applicable reinsurance treaty. Under
8 the 2013 treaty, approved claims are recoverable from London reinsurers in the amount of
9 \$650,000 in excess of a \$350,000 retention per each loss. In addition, PROAIR owes
10 reinsurers the 4Q13 premium deposit (reflected in the Class (g) section of Exhibit “A”).

11 **E. Records and Assets Control**

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

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

2 **F. Financial Analysis**

3 As of February 29, 2016 PROAIR's Wells Fargo Bank account had a balance of
4 \$381,072. The Receivership Manager also holds a \$50,000 retainer. Through February 29,
5 2016 the Receivership Manager has incurred \$91,661 in administration expenses, including
6 incurred but unpaid expenses. Considering the current cash assets less \$6,128 in incurred
7 but unpaid administrative expenses PROAIR has as of February 29, 2016 total current cash
8 assets of approximately \$424,944 (including retainer). At February 29, 2016 PROAIR
9 estimates well in excess of \$1,492,500 in both policy related claims and enterprise/vendor
10 expense liabilities.

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

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

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1 III. CONCLUSION

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

5 DATED this 29th day of March, 2016.

6
7 Respectfully submitted:

8 Barbara Richardson, Commissioner of Insurance
9 of the State of Nevada, in her Official Capacity as
10 Statutory Receiver of Delinquent Domestic Insurers

11 By: /s/ Scott Pearce
12 Scott Pearce
13 Regulatory Services Group
14 Receivership Supervisor

15
16 Respectfully submitted by:

17 ADAM PAUL LAXALT
18 Attorney General

19 By: /s/ Joanna N. Grigoriev
20 Joanna N. Grigoriev
21 Senior Deputy Attorney General
22 *Attorneys for the Commissioner of Insurance as Receiver*
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1 CERTIFICATE OF SERVICE

2 I hereby certify that I am an employee of the State of Nevada, Office of the Attorney
3 General and that on the 29th day of March, 2016 I served the foregoing SIXTH STATUS
4 REPORT addressed as follows:

5
6 Constance Akridge, Esq.
7 Holland & Hart, LLP
8 9555 Hillwood Drive, 2nd Floor
9 Las Vegas, NV 89134

10 /s/ Marilyn Millam
11 An employee of the 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		b	No direct claim*
400117	Headwaters Flying Service	\$ 35,000.00	\$35,000.00	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.	\$ -	\$0.00	b	PAIR Claim-Not PROAIR
400167	Fields & Van Dalen	\$ 1,000,000.00		b	Formal prove-up due 5/2/16
TOTAL		\$ 1,492,484.41	\$110,972.70	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-Class b ?
400044	MORRIS, MANNING & MARTIN, LLP-ROBERT H. MYERS JR	\$ 29,533.17		g	Attorney Fees-Class b ?
400045	Stockwell, Sievert, Viccellio, Clements, & Shaddock, LLP	\$ 4,120.50		g	Attorney Fees-Class b ?
400165	Crowley Fleck	\$ 10,000.00		g	Attorney Fees-Class b ?
400164	Fred Begy	\$ -		g	Attorney Fees-class b ?
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
		\$ 2,412,707.93			

*Countryside filed based on potential direct claim (Direct Action State). We had to send claim form with new bar date to potential claimant, but no direct claim against policyholder has been filed.

**We now have a 3-party agreement as to how this should be resolved, but we do not have specific resolution yet.