



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
12 *Attorney for the Division of Insurance*

13
14 **IN THE EIGHTH JUDICIAL DISTRICT COURT**
15
16 **IN AND FOR THE COUNTY OF CLARK**

17 STATE OF NEVADA, EX REL.)Case No. A-14-7-705863
18 COMMISSIONER OF INSURANCE, IN HER)
19 OFFICIAL CAPACITY AS STATUTORY)Dept. No. IV
20 RECEIVER FOR DELINQUENT DOMESTIC)
21 INSURER,)
22
23 Plaintiff,)
24
25 vs.)
26
27 PROAIR Risk Retention Group, Inc.,)
28
29 Defendant)

30 **ELEVENTH STATUS REPORT**

31 COME NOW, Barbara Richardson, Commissioner of Insurance (the "Commissioner") for the
32 State of Nevada in her capacity as Permanent Receiver of PROAIR Risk Retention Group, Inc.,
33 ("PROAIR" or the "Company"), and Regulatory Services Group ("RSG"), Receivership Manager of
34 PROAIR, and file this Eleventh Status Report in the above-captioned receivership.

35 **I. INTRODUCTION AND HISTORICAL BACKGROUND**

36 PROAIR was an association captive insurance company operating as a risk retention group
37 under the authority of Nevada Revised Statutes Chapter 694C and was incorporated and organized
38 under the Nevada Insurance laws and the Liability Risk Retention Act of 1986. PROAIR is domiciled

1 in the state of Nevada and received it's Certificate of Authority on July 25, 2008. As an association
2 risk retention group, the subscribers of PROAIR operated through an Attorney-In-Fact, T. Edwards,
3 LLC, a Nevada domestic limited liability company, to enable the exchange of contracts of insurance
4 among themselves. PROAIR's program provided liability insurance to its subscribers – pilots and pilot
5 groups specializing in the Air Tractor industry.

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

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

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

27 ///

28 ///

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

4 II. RECEIVERSHIP ADMINISTRATION

5 A. Notices of Receivership and Notification of Interested Parties

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

14 B. The Claims Process

15 On February 3, 2015 the Receivership Manager mailed Proof of Claim ("POC") packets to all
16 known potential creditors of PROAIR with a Claims Bar Date of July 31, 2015. As of the bar date the
17 estate had received eight Class (b) policyholder claims (NRS 696B.420). Subsequent to the bar date the
18 estate received notice from a policyholder of two additional claims being asserted against Proair. After
19 considering the late tender the Receivership Manager approved the late filing of the two additional
20 claims and established an extended bar date of November 16, 2015. Both claimants subsequently
21 submitted timely proofs of claim. As of May 31, 2017 PROAIR has received proofs of claim totaling
22 \$1,492,484.41 in the policyholder class of returned claims. To date the Receivership Manager has
23 approved approximately \$193,000 in submitted policyholder class claims.

24 PROAIR policies contained defense coverage and certain claims or certain portions of claims
25 for unpaid defense attorney fees have been determined to be Class (b) claims. All attorney fee claims
26 have now been analyzed and properly categorized.

27 ///

28 ///

1 Final policyholder class liability has been determined and the estate is in the process of
2 finalizing determinations of the equity class proofs of claim received. The Receivership Manager has
3 also received and approved one class (e) priority claim in the amount of \$826 and ten class (g) priority
4 claims of which \$78,647 has been approved. As mentioned above some portion of certain class (g)
5 defense coverage fees have been reclassified to the policyholder level of priority (b).(See Exhibit "A"
6 for listing of all filed claims as required by NRS 696B.330 (6).

7 It appears that cash assets will be available to pay 100% of all claims through Class (g) with any
8 residual funds being distributed to pay a portion of the approved class (k) claims received. Therefore,
9 the Receiver Manager has evaluated and approved claims through the Class (k) priority.

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

11 All Proofs of Claim determined to date have been addressed complying with the claims review
12 process articulated in NRS 696B.330 (7). Since the last status report two claims remain open and are in
13 the process of final determination. The estate has received approximately \$730,000 in priority class (k)
14 claims from 3 equity creditors. The estate will make final determinations on three equity claims and
15 issue notice in the next 30 days after which the estate will seek court approval to distribute estate assets
16 to approved creditors.

17 **D. Reinsurance**

18 The reinsurance function was completed during the second quarter of 2016.

19 **E. Records and Assets Control**

20 The Receivership Manager has control of PROAIR's known books and records, both tangible
21 and electronic. The majority of PROAIR's records are maintained in electronic form, and were held by
22 its captive manager Risk Services, LLC or by the Company's Attorney-In-Fact, Trevor Edwards of T.
23 Edwards, LLC. The Receivership Manager has compiled what appears to be a comprehensive
24 collection of the risk retention group's known books and records.

25 In addition to records control, the Receivership Manager has control over PROAIR's bank
26 account at Wells Fargo Bank. The Receivership Manager has not located and is not aware of any other
27 material assets beyond the current Wells Fargo Bank account balance belonging to PROAIR.

28 ///

1 **F. Financial Analysis**

2 As of May 31, 2017 PROAIR's Wells Fargo Bank account had a balance of \$338,326. The
3 Receivership Manager also holds a \$50,000 retainer. Through May 31, 2017 the Receivership Manager
4 has incurred \$125,076 in administration expenses, including incurred but unpaid expenses.
5 Considering the current cash assets less \$11,221 in incurred but unpaid administrative expenses
6 PROAIR has as of May 31, 2017 total current cash assets of approximately \$377,105 (including
7 retainer). At May 31, 2017 PROAIR estimates that its total current cash assets should be sufficient to
8 pay 100% of all priority classes through class (g) with all residual funds, net of a modest administrative
9 closing reserve, being paid to the equity class (k) creditors.

10 The Receivership Manager has completed the receipt and disbursement review performed by a
11 third party vendor for all amounts received and paid by the receivership estate from the date of the
12 liquidation to December 31, 2016. The review had no adverse findings and the Receivership Manager
13 is awaiting the final draft of the review report.

14 Pending completion of the equity class (k) claim determinations and finalizing a few remaining
15 administrative tasks, the Receivership Manager intends to seek court approval to distribute PROAIR's
16 remaining assets in accordance with NRS 696B.420 in the next quarter.

17 ///
18 ///
19 ///
20 ///
21 ///
22 ///
23 ///
24 ///
25 ///
26 ///
27 ///
28 ///

1 **III. CONCLUSION**

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

5 DATED this 30th day of June, 2017.

6 Respectfully submitted:

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

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

14 Respectfully submitted by:

15 ADAM PAUL LAXALT
16 Attorney General

17 By: /s/ Joanna N. Grigoriev
18 Joanna N. Grigoriev
19 Senior Deputy Attorney General
20 *Attorneys for the Commissioner of Insurance as Receiver*

21 **CERTIFICATE OF SERVICE**

22 I hereby certify that I am an employee of the State of Nevada, Office of the Attorney General
23 and that on the 30th day of June, 2017 I served the foregoing ELEVENTH STATUS REPORT
24 addressed as follows:

25 Constance Akridge, Esq.
26 Holland & Hart, LLP
27 9555 Hillwood Drive, 2nd Floor
28 Las Vegas, NV 89134

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

EXHIBIT A

EXHIBIT A

EXHIBIT A

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	Approved
400098	Benny White Flying Service	\$ 101,706.83	\$0.00	b	PAIR Claim-Not PROAIR
400107	Countryside Aviation, LLC*	\$0.00	\$0.00	b	Rejected
400117	Headwaters Flying Service	\$ 35,000.00	\$35,000.00	b	Approved
400132	O'Brien Flying Service	\$ 212,573.70	\$76,522.17	b	Approved
400141	Rusty's Flying Service	\$ 35,972.70	\$35,972.70	b	Approved
400146	STEIER AG AVIATION, INC.	\$ -	\$0.00	b	PAIR Claim-Not PROAIR
400167	Fields & Van Dalen	\$ 1,000,000.00	\$0.00	b	Rejected; 7/23/16 FinalAppeal Date
400044	MORRIS, MANNING & MARTIN, LLP-ROBERT H. MYERS JR **	\$ -	\$5,311.50	b	Approved
TOTAL		\$ 1,492,484.41	\$192,806.37		
400073	Nevada Division of Insurance	\$ 826.21	\$826.21	e	Exam Fees; Approved
400017	Illinois State Treasurer	\$ -	\$0.00	e	Zero \$ claim presented
			\$826.21		
400155	Risk Services, LLC	\$ 11,965.14	\$11,965.14	g	Management Fees/Apr
400160	LLOYD'S UNDERWRITER SYND NO. 2010MMX	\$ 26,137.50	\$7,710.00	g	Reinsurance-Premium /Apr
400161	ATRIUM AVIATION CONSORTIUM, NO. 9563	\$ 8,712.50	\$2,570.00	g	Reinsurance-Premium /Apr
400162	XL RE EUROPE LIMITED	\$ 26,137.50	\$7,710.00	g	Reinsurance-Premium /Apr
400163	HANNOVER RUCKVERSICHERUNG AKTIEN	\$ 6,648.75	\$7,710.00	g	Reinsurance-Premium /Apr
400166	SCOFIELD GERARD POHORELSKY GALLAUGHER & LANDRY	\$ 64,329.00	\$30,000.00	g	Attorney Fees
400044	MORRIS, MANNING & MARTIN, LLP-ROBERT H. MYERS JR **	\$ 29,533.17	\$6,856.50	g	Attorney Fees-Class g portion
400045	Stockwell, Sievert, Viccellio, Clements, & Shaddock, LLP	\$ -	\$4,125.00	g	Approved
400165	Crowley Fleck	\$ 10,000.00	\$0.00	g	Rejected claim
400164	Fred Begy	\$0.00	\$0.00	g	No formal claim submitted
			\$78,646.64		
400116	Hartley Flying Service, Inc.	\$ 4,713.25	\$0.00	k	Equity Claim
400100	Blackstone Aerial Spraying	\$ 2,100.00	\$0.00	k	PAIR claim-not PROAIR
400153	Trevor Edwards & Jim Hirsch	\$ 725,000.00	\$0.00	k	Equity Claim
		\$ 2,408,587.43			

*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 was ever filed. Policyholder was sent letter advising that claim must be liquidated by 7/23/16 or else to be rejected.

** Some portion of this claim will be approved as Class (b) with remainder as a Class (g)