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11 **IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**
12 **CLARK COUNTY, NEVADA**

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

Case No. A-19-787325-B
Dept. No. 15

TWENTY-FIFTH STATUS REPORT

17 Plaintiff,

18 vs.

19 SPIRIT COMMERCIAL AUTO RISK RETENTION
20 GROUP, INC., a Nevada Domiciled Association
21 Captive Insurance Company,

22 Defendant.

23 COMES NOW, the Commissioner of Insurance¹ and CANTILO & BENNETT, L.L.P., Special
24 Deputy Receiver (“SDR”), and files this Receiver’s Status Report in the above-captioned receivership.
25 In accordance with the orders of this Court and the Nevada Revised Statutes (“NRS”) Chapter 696B,
26 the Receiver makes this “true report[s] in summary form of the insurer’s affairs under the receivership
27 and of progress being made in accomplishing the objectives of the receivership.” NRS 696B.290(7).

28 ¹ Barbara D. Richardson resigned from her position as Commissioner of Insurance effective
December 30, 2022. Scott Kipper was named as the new Insurance Commissioner. Pursuant to NRCPC 25(d),
when a public officer stops holding office while an action is pending, “[t]he officer’s successor is
automatically substituted as a party.”

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I.

INTRODUCTION

Spirit Commercial Auto Risk Retention Group, Inc. (“Spirit” or the “Company”) is an association captive insurance company organized under the insurance laws of Nevada and the Liability Risk Retention Act of 1986. Spirit received its Certificate of Authority on February 24, 2012, and operates under the authority of NRS Chapter 694C. Spirit transacted commercial auto liability insurance business. Within that line, Spirit specialized in serving commercial truck owners.

Pursuant to NRS 679A.160, Spirit is subject to Nevada laws in Chapters 694C and 695E that pertain to captive insurers (as “captive insurer” is defined in NRS 694C.060) and risk retention groups (as “risk retention group” is defined in NRS 695E.110) that have a Certificate of Authority from the Division. Spirit is considered an association captive insurer (as “association captive insurer” is defined in NRS 694C.050). As a risk retention group (“RRG”), Spirit is subject to the Federal Liability Risk Retention Act of 1986. RRGs domiciled in Nevada do not participate in the Nevada Guaranty Association. Pursuant to NRS 695E.140(1)(a), Spirit is also subject to all laws that pertain to traditional liability insurers (with exceptions given in Bulletin 14-008).

As discussed in the Receiver’s First Status Report that initially described receivership matters, Spirit was part of an Insurance Holding Company System and in large part it only did business with other members of that system. Included with those members were some of the following: (1) CTC Transportation Insurance Services of Missouri, LLC , with offices in Missouri, New Jersey, and California, served as the program administrator and managing general agent for Spirit; (2) Criterion Claims Solutions of Omaha, Inc. (“Criterion”) was the third-party claims administrator for Spirit; (3) Lexicon Insurance Management LLC was the captive manager for the company (after Risk Services initially served in that role through circa July 2018); (4) Chelsea Financial Group, Inc. provided premium financing services for the majority of Spirit’s policies; and (5) the company 10-4 Risk Management provided risk management and loss run services. The owner or ultimate controlling person for each of these entities is or was Thomas Mulligan.² All of these companies were taking a

² See Schedule Y: Part 1A, to the Company’s 2018 Annual Statement, the “Detail of Insurance Holding Company System” (the Receiver’s First Status Report, Ex. B).

1 portion of the premium dollars from Spirit-issued policies.

2 The Commissioner initially filed a petition to put the Company into receivership on January
3 11, 2019, and efforts to protect the policyholders and other creditors of the estate were contested
4 vigorously by the Company. On February 27, 2019, this Court entered its Permanent Receivership
5 Order. Barbara D. Richardson, Commissioner of Insurance, in her capacity as Receiver for Spirit
6 appointed the firm of CANTILLO & BENNETT, L.L.P. as the Special Deputy Receiver of the Companies.
7 The “Receiver” and “Special Deputy Receiver” are referred to collectively herein as the “Receiver.”

8 In brief, the Permanent Receivership Order established the following key points for the Spirit
9 receivership:

- 10 1) that the Company’s in-force insurance policies are to be canceled effective on the
11 earlier of April 15, 2019, or the date when the insured ceased making premium
12 payments to Spirit;
- 13 2) that the Receiver may impose a full suspension on all disbursements owed by Spirit,
14 including insurance policy disbursements, and costs related to the defense or
15 adjudication of insurance policy claims;
- 16 3) that the receivership court has exclusive jurisdiction over all matters pertaining to Spirit
17 and all persons are enjoined from commencing, bringing, maintaining, or further
18 prosecuting any action at law, suit in equity, arbitration, or special or other proceeding
19 against the Company, Receiver, or Special Deputy Receiver;
- 20 4) that the Receiver is vested with exclusive title both legal and equitable to all of Spirit’s
21 property wherever located, to administer under the general supervisions of the Court;
- 22 5) that the Receiver may change to her own name, the name of any of Spirit’s accounts,
23 funds, or other property or assets, held with any bank, savings and loan association,
24 other financial institution, or any other person, wherever located, and may withdraw
25 such funds, accounts and other assets from such institutions or take any lesser action
26 necessary for the proper conduct of the receivership; and

1 detailed in the Sixth Status Report and exhibits thereto. TRISTAR has since assisted the Receiver in
2 evaluating and determining the POCs filed in the Spirit estate. Through the appeals phase of the claims
3 process for the estate (*i.e.*, as claimants submit appeals of the Receiver’s claim determinations),
4 TRISTAR will evaluate the appeal submissions from claimants and make recommendations to the
5 Receiver regarding proposed resolutions of such appeals. The Receiver anticipates that it will continue
6 to utilize TRISTAR’s assistance for claims matters, until all claims and appeals of the estate are
7 resolved. The Receiver will continue to evaluate the need for TRISTAR’s assistance and will continue
8 to report TRISTAR’s ongoing work for the estate.

9 The Claims Filing Deadline expired on May 31, 2021. There were approximately one thousand
10 four hundred five (1,405) timely POC submissions received.³

11 The Receiver is evaluating the claims against the estate and mailing written Notices of Claim
12 Determination to claimants — and these notices advise claimants of whether their claims are approved
13 (in full or in part) or denied. Approximately one thousand three hundred fifty-seven (1,357) Notices
14 of Claim Determination have been completed and mailed to the claimants to date. The Receiver has
15 posted a status update (*i.e.*, advising that POCs are in the process of being evaluated) to the home page
16 of the Spirit receivership web site. Approximately eighty-seven (87) objections to the Receiver’s
17 claim determinations have been received to date. We are enclosing a report on the determination of
18 the Receiver on each claim approved in whole or in part through February 14, 2025, as well as a report
19 of each claim determination to which an objection has been filed⁴ pursuant to NRS 696B.330(6-8). A
20 copy of the claims report, without the names of the claimants, is being submitted as **Exhibit 1** to this
21 report.⁵

24 ³ Ten POCs (10) were withdrawn by the claimants, three (3) were rejected in writing by the SDR (*i.e.*, due to
25 being related to a different insurance company), and thirteen (13) were duplicate submissions, and have been consolidated
under the POC number assigned to the claimant’s original submission.

26 ⁴ The report on these objections will be updated to reflect the Court’s determination of each objection once
hearings have been held, pursuant to NRS 696B.330, and final orders are entered by the Court thereon.

27 ⁵ Individual claimant names have been removed from the public document out of concern for privacy. Exhibit
28 1 submitted to the Court for in camera review includes claimants’ names.

1 The Order Granting Motion to Establish Claims Appeal Process and Procedure and for the
2 Appointment of a Special Master to Assist with the Same was entered on March 3, 2023. The Order
3 appoints two Special Masters to preside over appeal hearings, and sets out the procedures for such
4 appeals, as well as the procedure for certain other appeals which are to be reviewed by the receivership
5 court. Counsel for the Receiver is working with the Special Masters to schedule appeal hearings and
6 briefing schedules. As claims are scheduled for hearing, counsel for the Receiver is notifying
7 claimants of the time and place for the hearing of their objections, as well as the briefing schedule.
8 Additional hearings will continue to be scheduled on a rolling basis as needed. As appeals are resolved
9 through the hearing process, the Receiver will update the claim and appeal report exhibits to the status
10 report to reflect the appeal resolution and the final determination of the claims. The Court's final
11 orders concerning the claim objections are final orders appealable to the Nevada Supreme Court. To
12 date, there are two such appeals pending before the Nevada Supreme Court. The above-referenced
13 motions and orders have been posted to the receivership web site, www.spiritinsure.com
14 ("Receivership Documents" tab).

15 The United States has filed a POC in the receivership, asserting the priority of its claims—if
16 any (they are unknown at this time according to the POC)—over and above any other claims against
17 the estate pursuant to 31 U.S. Code § 3713, also known as the government "superpriority" statute. The
18 Receiver sent letters to the United States to provide a reminder that its claim must be complete, non-
19 contingent, and liquidated in amount on or before the May 31, 2021, deadline. No amendment or
20 supplement from the United States has been received as of the date of this report. The Receiver has
21 also written to the Centers for Medicare and Medicaid Services ("CMS"), seeking policy guidance
22 regarding the applicability of certain claim reporting requirements for the Spirit receivership. CMS
23 has yet to respond, but the Receiver will continue to seek direct input from the agency to clarify the
24 regulatory requirements for the Spirit estate.

25 The policy data of Spirit is held in the Aspire Information System ("Aspire"), which was
26 created by Maple Technologies. The Aspire system has value to the receivership during the pendency
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28

1 of the POC process and certain litigation matters. At the outset of the receivership, the Receiver
2 worked with Maple Technologies to continue Spirit’s pre-receivership arrangement.

3 Actuarial firm Oliver Wyman Actuarial Consulting, Inc. (“Oliver Wyman”) has been engaged
4 to prepare actuarial estimates for Spirit’s claims and future losses and continues as a consultant.

5 Calhoun, Thompson & Matza, L.L.P. is a CPA firm that has been hired by the Receiver to
6 prepare Spirit’s federal and state tax returns.

7 PALOMAR FINANCIAL, LC (“Palomar”) is an affiliated company of the Special Deputy Receiver
8 and performs financial and technical administrative support services for Spirit in receivership—and
9 those services are now being performed by Palomar. Palomar is being used to facilitate the
10 receivership’s administration of financial matters. The Receiver, with assistance from Palomar, has
11 finalized all outstanding premium tax matters for the Company, including tax matters that remained
12 outstanding and overdue by former Spirit leadership at the outset of the receivership, and routine
13 reporting continues as required for certain state jurisdictions.

14 As the Court is aware, the Receiver has engaged the law firm of Greenberg Traurig LLP
15 (“Greenberg Traurig”) as counsel in this receivership matter. Additionally, as reported in the previous
16 status reports, the Receiver has engaged the services of Lewis Roca to handle certain limited matters
17 and to act as outside conflicts counsel to address other matters that may arise in which Greenberg
18 Traurig is not representing the receivership estate.

19 The Receiver has received notice from time to time of lawsuits filed against Spirit in violation
20 of the Court’s Permanent Receivership Order. The Receiver will continue its established procedure
21 of writing to the parties involved to inform them of the injunctions of the Permanent Receivership
22 Order and request a voluntary dismissal of Spirit from the matter. Thus far, the majority of counsel
23 have been amenable to such requests. In limited cases and only when absolutely necessary, the
24 Receiver will engage outside counsel to address ongoing or repeated violations of this Court’s orders.

1 **C. Records**

2 The Receiver has made efforts to secure Spirit’s electronic records from third parties. The
3 Receiver will continue with the evaluation of the Company and will continue gathering the Company’s
4 records and data. This process will remain ongoing.

5 **D. Asset Recovery Litigation and Arbitration**

6 On February 6, 2020, the Receiver filed an asset recovery lawsuit against a number of parties,
7 including Thomas Mulligan, CTC Transportation Insurance Services of Missouri, LLC, CTC
8 Transportation Insurance Services, LLC, and CTC Transportation Insurance Services of Hawaii, LLC
9 (“CTC”), Criterion, Spirit’s former directors and officers, various other former vendors of Spirit, and
10 various other related persons and entities (“Asset Recovery Lawsuit”).⁶ The Asset Recovery Lawsuit
11 was filed in the Eighth Judicial District Court of Clark County, Nevada, and assigned Case No. A-20-
12 809963-B. Although the majority of Defendants filed answers to the Asset Recovery Lawsuit, CTC
13 and Criterion Claim Solutions of Omaha, Inc. each filed Motions to Compel Arbitration of the claims
14 asserted by the Receiver in her asset recovery lawsuit. The Motions to Compel Arbitration were
15 granted by Judge Denton and thereafter nine of the defendants⁷ filed a Motion to Stay Pending
16 Arbitration, and joinders were filed by nineteen additional defendants. The Court granted the Motion
17 to Stay Pending Arbitration and the Joinders thereto and the formal Notice of Entry of Order was

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19 ⁶ The Defendants in the Asset Recovery Lawsuit are: Thomas Mulligan, an Individual; CTC; Criterion; Pavel
20 Kapelnikov, an Individual; Chelsea Financial Group, Inc., a California Corporation; Chelsea Financial Group, Inc., a
21 Missouri Corporation; Chelsea Financial Group, Inc., a New Jersey Corporation D/B/A Chelsea Premium Finance
22 Corporation; Chelsea Financial Group, Inc., a Delaware Corporation; Chelsea Holding Company, LLC, a Nevada Limited
23 Liability Company; Chelsea Holdings, LLC, a Nevada Limited Liability Company; Fourgorean Capital, LLC, a New
24 Jersey Limited Liability Company; Kapa Management Consulting, Inc., a New Jersey Corporation; Kapa Ventures, Inc.,
25 a New Jersey Corporation; Global Forwarding Enterprises Limited Liability Company, a New Jersey Limited Liability
26 Company; Global Capital Group, LLC, a New Jersey Limited Liability Company; Global Consulting; New Tech Capital,
27 LLC, a Delaware Limited Liability Company; Lexicon Insurance Management LLC, a North Carolina Limited Liability
28 Company; Icap Management Solutions, LLC, a Vermont Limited Liability Company; Six Eleven LLC, a Missouri Limited
29 Liability Company; 10-4 Preferred Risk Managers Inc., a Missouri Corporation; Ironjab LLC, a New Jersey Limited
30 Liability Company; Yanina G. Kapelnikov, an Individual; Igor Kapelnikov, an Individual; Quote My Rig LLC, a New
31 Jersey Limited Liability Company; Matthew Simon, an Individual; Daniel George, an Individual; John Maloney, an
32 Individual; James Marx, an Individual; Carlos Torres, an Individual; Virginia Torres, an Individual; Scott McCrae, an
33 Individual; Brenda Guffey, an Individual; 195 Gluten Free LLC, a New Jersey Limited Liability Company, Doe
34 Individuals I-X; and Roe Corporate Entities I-X. The Receiver’s previous Twelfth Status Report provides the dates that
35 answers to the suit were filed by the defendants.

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37 ⁷ Six Eleven LLC, Quote My Rig, LLC, New Tech Capital, LLC, 195 Gluten Free LLC, 10-4 Preferred Risk
38 Managers, Inc., Ironjab LLC, Fourgorean Capital LLC, Chelsea Holdings Company, LLC (“Chelsea Holdings”), and
39 Chelsea Financial Group, Inc. (MO) (“Chelsea Financial MO”) (collectively, “Six Eleven Defendants”).

1 entered on November 17, 2020. A status check is scheduled in the Asset Recovery Lawsuit for March
2 6, 2025.

3 On April 1, 2021, the Receiver filed a Petition for Writ of Mandamus in the Nevada Supreme
4 Court regarding, *inter alia* (1) the Court’s July 17, 2020, Order Granting CTC Defendants’ Motion to
5 Compel Arbitration; (2) the Court’s July 22, 2020, Order Granting Criterion Claim Solution’s Motion
6 to Compel Arbitration; and (3) the Court’s November 17, 2020, Order Granting the Motion to Stay
7 Pending Arbitration and all Joinders Thereto. On February 18, 2022, the Nevada Supreme Court
8 denied the Receiver’s petition for writ of mandamus — thereby requiring the Receiver to pursue two
9 separate arbitration proceedings to recover Spirit’s assets (*i.e.*, while litigation against the remaining
10 defendants is stayed pending the outcome of the separate arbitration proceedings). The status of the
11 arbitration proceedings is detailed below.

12 The Receiver initiated arbitration against CTC on August 2, 2022 (“CTC Arbitration”).
13 Pursuant to the terms of the Program Administrator Agreement (“PSA”), the arbitration thereafter
14 proceeded with a three-person arbitration panel as will be further described herein.⁸ Despite the
15 arbitration starting on August 2, 2022, there were numerous delays in document production by CTC.
16 Notably, CTC failed to produce any electronic stored information (“ESI”) until late September 2023
17 when they proceeded to roll out what can only be described as a document dump of over 1.5 million
18 pages of documents. However, the document dump which was repeatedly described by CTC’s counsel
19 as the “universe of documents,” did not contain requested e-mails including e-mails from key
20 executives and decision makers at CTC. Miraculously, after the filing of a motion to compel
21 production of documents and request for sanctions, CTC located over one million e-mails.

22 The Receiver got a favorable order after filing a Motion to Compel Production of Documents
23 and Request for Sanctions (the “Sanctions Order”). The Sanctions Order strikes CTC’s affirmative
24 defenses, and orders that at the hearing CTC shall be precluded from presenting an affirmative case
25 on the merits. The Sanctions Order also granted the Receiver’s request for attorney fees, consultant
26

27 ⁸ The arbitrators for this matter are Robert Hall, Ret. Judge Elizabeth Gonzalez, and Susan Claflin will serve as
28 the umpire. The Receiver is responsible to pay Mr. Hall’s fees and half of Ms. Claflin’s fees associated with the arbitration.
CTC will pay Judge Gonzalez’s fees and half the fees of Ms. Claflin.

1 and/or expert expenses, and costs incurred in connection with the Motion.⁹ The Sanctions Order re-
2 set the arbitration hearing for September 23-27, 2024, and by stipulation of the parties discovery was
3 slated to close on July 23, 2024. However, due to a personal matter experienced by CTC’s lead
4 counsel, the discovery schedule and hearing deadlines were reset. The close of discovery was
5 December 3, 2024, and the arbitration hearing took place on February 3-4, 2025. On February 7, 2025,
6 the parties submitted proposed findings to the panel. The panel is now deliberating and is expected
7 to issue its decision in March.

8 The Receiver also learned that County Hall Risk Retention Group of North Carolina
9 (“CHRRG”), a sister company to Spirit, obtained a \$5,003,686 judgment (plus post-judgment interest)
10 against CTC Hawaii and CTC California in December of 2023 for breaches of contractual and
11 fiduciary duties regarding program administrator services rendered to CHRRG. A limited receiver
12 has been appointed for CTC Hawaii in North Carolina to assist with collection of the aforementioned
13 judgment.

14 As discussed in prior status reports, the Receiver and Criterion agreed to a Stipulated Dismissal
15 of the Receiver’s arbitration demand/complaint against Criterion. A copy of the Stipulated Dismissal
16 was included as an Exhibit to the previous Eighteenth Status Report. Please refer to the Receiver’s
17 prior status reports for additional information about the Receiver’s arbitration claims against Criterion.

18 **E. Receivership Assets and Liabilities**

19 The Receiver has been gathering information and evaluating the assets and liabilities of Spirit.
20 The Receiver’s liability analysis will continue to evolve as the claims of the estate are determined and
21 asset recoveries are made. Below is an overview of some key assets and liability matters thus far
22 identified by the Receiver.

- 23 1. CTC owes a large balance to Spirit that is at least \$40. The Receiver filed the
24 Asset Recovery Lawsuit seeking the return of this money *inter alia* as detailed
25 above, and is also pursuing claims in arbitration as also detailed above.
26

27 ⁹ On January 30, 2024, the Receiver submitted its Memorandum of Fees and Costs Pursuant to Arbitration Panel’s
28 January 17, 2024, Order, and the arbitration panel awarded a total of \$73,620.59. CTC has remitted this amount to counsel
for the Receiver.

1 2. The cash and invested assets of the Company were approximately \$30,629,183
2 as of January 31, 2025.

3 3. Other Assets: There is no known tangible personal property or real property
4 owned by the Company.

5 We are enclosing the consultants and SDR bills paid or approved for payment since the last
6 status report filed with the Court, and the detailed billings are submitted *in-camera*, with summaries
7 of such bills being submitted as **Exhibit 2** to this report.¹⁰ The Receiver is including, as **Exhibit 3**
8 attached hereto, a cash flow report for January 31, 2025, reflecting recoveries, disbursements, and cash
9 flow since the receivership began.

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17 ¹⁰ The *in-camera* materials are being submitted in a separate envelope that reflect paid invoices. Certain billings
18 submitted to the Court are appropriate for *in-camera* review (as opposed to being made part of a public filing). More
19 particularly, and as discussed in further detail below, certain consultants in this matter will provide expert witness related
20 services. As such, the billing entries relating thereto should be considered confidential and/or otherwise not subject to
21 discovery.

22 In this regard, courts have held that the bills of legal counsel and experts may be withheld from legal discovery
23 and are not subject to legal disclosure, as this information may provide indications or context concerning potential litigation
24 strategy and the nature of the expert services being provided. See, e.g., Avnet, Inc. v. Avana Technologies Inc., No. 2:13-
25 cv-00929-GMN-PAL, 2014 WL 6882345, at *1 (D. Nev. Dec. 4, 2014) (finding that billing entries were privileged
26 because they reveal a party’s strategy and the nature of services provided); Fed. Sav. & Loan Ins. Corp. v. Ferm, 909 F.2d
27 372, 374-75 (9th Cir. 1990) (considering whether or not fee information revealed counsel’s mental impressions concerning
28 litigation strategy). Other courts that have addressed this issue have recognized that the “attorney-client privilege embraces
29 attorney time, records and statements to the extent that they reveal litigation strategy and the nature of the services
30 provided.” Real v. Cont’l Grp., Inc., 116 F.R.D. 211, 213 (N.D. Cal. 1986).

31 The *in-camera* review should apply not only to documentation concerning attorney fees, but it also extends to
32 “details of work revealed in [an] expert’s work description [which] would relate to tasks for which she [or he] was
33 compensated[.]” a situation which is “analogous to protecting attorney-client privileged information contained in counsel’s
34 bills describing work performed.” See DaVita Healthcare Partners, Inc. v. United States, 128 Fed. Cl. 584, 592-93 (2016);
35 see also Chaudhry v. Gallerizzo, 174 F.3d 394, 402 (4th Cir. 1999) (recognizing that “correspondence, bills, ledgers,
36 statements, and time records which also reveal the motive of the client in seeking representation, litigation strategy, or the
37 specific nature of the services provided, such as researching particular areas of law,” are protected from disclosure)
38 (quoting Clarke v. Am. Commerce Nat’l Bank, 974 F.2d 127, 129 (9th Cir. 1992)).

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III.
CONCLUSION

In compliance with this Court’s instructions for a status report regarding the affairs of the Company, the Receiver has submitted the aforementioned status report and requests that the Court approve this Status Report and the actions taken by the Receiver.

DATED this 21st day of February 2025.

Respectfully submitted:

By: /s/ CANTILO & BENNETT, L.L.P.
Special Deputy Receiver
By Its Authorized Representative
Mark F. Bennett

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Exhibits may be requested by contacting the Special Deputy Receiver at 512-478-6000