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SUPERIOR COURT OF NJ
MERCER VICINAGE
CHANCERY

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SUPERIOR COURT OF NEW JERSEY
CHANCERY DIVISION-MERCER COUNTY
DOCKET NO. MER-C-63-16

I/M/O THE REHABILITATION OF)
FREELANCERS CONSUMER OPERATED)
AND ORIENTED PROGRAM OF NEW) **ORDER OF LIQUIDATION**
JERSEY D/B/A HEALTH REPUBLIC)
INSURANCE OF NEW JERSEY)
)

This matter having been opened to the Court by Christopher S. Porrino, Attorney General of New Jersey, by William B. Puskas, Jr., Deputy Attorney General, as attorney for plaintiff, Richard J. Badolato, the Commissioner of the Department of Banking and Insurance of the State of New Jersey ("Commissioner"), and Rehabilitator of Freelancers Consumer Operated and Oriented Program of New Jersey d/b/a Health Republic Insurance of New Jersey ("Freelancers"), on application for an Order to be entered, pursuant to N.J.S.A. 17B:32-45-47,

(a) directing the Commissioner to liquidate Freelancers; and (b) permanently enjoining all persons and entities from pursuing litigation against Freelancers or from interfering with the Commissioner's efforts to liquidate Freelancers; and the court having considered the Commissioner's application; the court hereby finds that:

1. Freelancers is an insurance company domiciled in the State of New Jersey and governed by the provisions of Title 17B of the Statutes of New Jersey.

2. This court has general jurisdiction, pursuant to N.J.S.A. 17B:32-31 to -92, over this proceeding.

3. The written and published notice of the Petition for Liquidation to interested persons evidenced by the Affidavit and Notice filed with the court constitutes the best notice practicable under the circumstances and meets the requirements of due process concerning such notice.

4. As set forth in the October 19, 2016 Order of Rehabilitation of Freelancers ("Rehabilitation Order") entered by this court, Freelancers was declared to be insolvent. Since then the extent of the insolvency has worsened, and this deepening insolvency, including a liquidity deficiency anticipated to arise in or about January 2017, necessitates the liquidation of Freelancers.

5. Sufficient grounds exist pursuant to N.J.S.A. 17B:32-46 for entry of an Order of Liquidation, and such Order of Liquidation should be entered pursuant thereto.

It is, therefore, on this 3rd day of February, 2017, ORDERED that:

1. Pursuant to N.J.S.A. 17B:32-46 and -47, the Commissioner is appointed as Liquidator of Freelancers with all the powers and authority expressed or implied by N.J.S.A. 17B:32-31 to -92. Pursuant to N.J.S.A. 17B:32-50b, the enumeration of the Liquidator's powers and authority set forth at N.J.S.A. 17B:32-50 shall not be construed as a limitation upon him, nor shall it exclude in any manner his right to do such other acts not specifically enumerated therein as may be necessary or appropriate for the accomplishment of or in aid of the purpose of the liquidation.

2. The Commissioner's powers shall include the power to appoint and recompense a Deputy Liquidator. The Deputy Liquidator shall have no personal liability for his acts or omissions in connection with his duties as Deputy Liquidator provided that such acts or omissions are undertaken or committed in good faith and without willful misconduct, or willful, wanton, or gross negligence or criminal intent. The Deputy Liquidator shall not be deemed to be an employee of the State of New Jersey and accordingly shall not be subject to the

provisions of the New Jersey Tort Claim Act, N.J.S.A. 59:1-1 et seq. All expenses and costs incurred by the Deputy Liquidator in connection with lawsuits against him in his personal capacity shall, subject to the prior written approval of the Commissioner and the court, be paid out of the funds and assets of Freelancers, provided that such lawsuits are not the result of any bad faith, willful misconduct, gross negligence, or criminal actions on the part of the Deputy Liquidator.

3. The Commissioner is directed to liquidate Freelancers.

4. The Commissioner continues to be vested with title to all assets and property of Freelancers pursuant to the Rehabilitation Order, ¶3, and he shall deal with the property and business of Freelancers in his own name as Commissioner or as Liquidator in the name of Freelancers.

5. Until further order of the Court, pursuant to N.J.S.A. 17B:32-47 and 17B:32-50a(8)(b), all persons, corporations, partnerships, associations and all other persons and entities are hereby enjoined and restrained from interfering in any manner with the Liquidator's possession, title and rights to the assets and property of Freelancers, including taking any actions which interfere with the conduct of the liquidation of Freelancers. Said persons, corporations, partnerships, associations and all other entities are hereby enjoined and

restrained from wasting, transferring, selling, concealing, destroying, disbursing, disposing of, or assigning any assets, contracts, causes of action, funds or other property of any nature of Freelancers.

6. Pursuant to the authority provided by N.J.S.A. 17B:32-50a(8)(b), N.J.S.A. 17B:32-53, N.J.A.C. 8:38-12.1(b) and the equitable powers conferred upon this Court, all officers, directors, trustees, shareholders, members, subscribers, enrollees, agents and employees of Freelancers and all other persons or entities of any nature, claimants, petitioners, providers, vendors, third-party administrators, hospitals or medical or health care providers and any governmental agencies having claims of any nature against Freelancers including crossclaims, counterclaims and third-party claims are hereby enjoined and restrained from (a) conducting any portion or phase of the business of Freelancers unless so authorized by the Liquidator; (b) instituting, maintaining or further prosecuting any action at law, suit in equity, special or other proceeding against Freelancers, its estate in liquidation or against the Commissioner and his successors in office, as Liquidator thereof, or against any Deputy Liquidator; (c) making or executing any levy upon the property or estate of Freelancers; (d) threatening, instituting, maintaining or further presenting any suit at law, suit in equity, or any collection activity, or

any other proceeding of any nature against any member, subscriber, enrollee or insured of Freelancers resulting from Freelancer's insolvency, or the failure of Freelancers or any third-party administrator to pay any medical or hospital bill or to meet any of Freelancer's contractual obligations due to its insolvency, except for those circumstances where such action is permitted as to be outlined in the Plan for the Liquidation of Freelancers; (e) interfering in any way with the Commissioner, or any successor in office, in his possession of or title to the property and assets of Freelancers or in the discharge of his duties as Liquidator thereof, pursuant to this Order; and (f) canceling, terminating, modifying or withholding any services or other amenity heretofore provided to Freelancers pursuant to any lease or sublease, including but not limited to any lease or sublease for office space or computer hardware or software, contract or agreement (whether written or oral), license or other arrangement that is necessary to the operation of the business of Freelancers or the liquidation of the business, assets or property of Freelancers pursuant to the within Order. Except as otherwise provided by N.J.S.A. 17B:32-61, all persons or entities of any nature, other than the Liquidator, are hereby restrained from commencing, maintaining or further prosecuting any direct or indirect actions against any reinsurer of Freelancers for proceeds of reinsurance policies issued to and

treaties of other agreements with Freelancers without notice to this Court.

7. The Board of Trustees of Freelancers is hereby disbanded and has no authority to take any further actions.

8. Pursuant to N.J.S.A. 17B:32-59, no bank, savings and loan association or other person or entity, shall, without first obtaining permission of this Court, exercise any form of set-off, alleged set-off, lien, any other form of self-help whatsoever with respect to any funds owed to Freelancers or any bank account or other fund held by or on behalf of Freelancers or refuse to transfer funds or assets of Freelancers to the Liquidator's control.

9. There shall be no further payment of claims or other expenses by Freelancers except at the directive of the Commissioner or of this court. The Commissioner is hereby empowered in his sole discretion to continue to pay claims by providers for health benefits covered under Freelancers' policies if determined to be valid and owed pursuant to the network contract reimbursement rate, and for out-of-network providers at a reimbursement rate consistent with applicable State laws.

10. All secured creditors or parties, lienholders, collateral holders or other persons claiming secured, priority or preferred interests in any property or assets of Freelancers

including any governmental entity, are hereby permanently enjoined from taking any steps whatsoever to transfer, sell, encumber, attach, dispose of or exercise purported rights in or against any property or assets of Freelancers.

11. All officers, directors, trustees, shareholders, policyholders, agents, and employees of Freelancers and all other persons or entities of any nature, including but not limited to claimants, reinsurers, plaintiffs, petitioners and any governmental agencies having claims of any nature against Freelancers, including crossclaims, counterclaims and third party claims, are hereby enjoined and restrained from:

(a) Conducting any portion or phase of the business of Freelancers unless so authorized by the Liquidator or his designee;

(b) Pursuing litigation against Freelancers, including bringing, maintaining or further prosecuting any action at law or equity, arbitration, special, or other proceeding against Freelancers or against the Commissioner and his successors in office as Liquidator thereof, or against any Deputy Liquidator appointed pursuant to Paragraph 2 above;

(c) Making or executing any levy upon the property of Freelancers;

(d) Instituting, maintaining or further presenting any suit at law or equity or any collection activity, or any

other proceeding of any nature against any policyholder or insured of Freelancers resulting from Freelancers' insolvency or financial condition or the failure of Freelancers to pay any claim or to meet any of its contractual obligations due to its insolvency or financial impairment;

(e) Interfering in any way with the Liquidator, or any successors in office, in his possession of or title to the property and assets of Freelancers, or in the discharge of his duties pursuant to this Order. All persons or entities of any nature, other than the Liquidator, are hereby restrained from commencing, maintaining or further prosecuting any direct or indirect actions against any reinsurer of Freelancers or its direct and indirect insurance subsidiaries for proceeds of reinsurance policies issued to and treaties or other agreements with Freelancers.

12. Freelancers, its officers, directors, trustees, policyholders, agents and employees, and all other persons or entities of any nature, having any property or records belonging to Freelancers, or pertaining to the business of Freelancers, including data processing information and records of any kind, are hereby directed to assign, transfer and deliver to the Liquidator all of such property in whatever name the same may be, and any persons, firms or corporations having any books, papers or records relating to the business of Freelancers, or

any direct and indirect insurance subsidiaries, shall preserve the same and submit these to the Liquidator for examination at all reasonable times.

13. The Liquidator shall have the power:

(a) to conduct the business of Freelancers under the general supervision of the Court;

(b) to honor, as expenses of administration, all expenses heretofore incurred by the Commissioner as Administrative Supervisor or Rehabilitator, or by his designees and appointees, which currently remain unpaid;

(c) to pay from the funds or assets of Freelancers or from such other funds that may become available to him all expenses of marshaling, taking possession of, conserving, conducting, liquidating, disposing of or otherwise dealing with the business and property of Freelancers;

(d) to collect all debts and monies due and claims belonging to Freelancers, wherever located, where economically feasible and for this purpose:

(i) to institute and maintain timely actions in other jurisdictions, in order to forestall garnishment and attachment proceedings against such debts;

(ii) to do such other acts as are necessary or expedient to marshal, collect, conserve or

protect any of Freelancers' assets or property, including the power to sell, compound, compromise or assign debts for purposes of collection upon such terms and conditions as he deems appropriate, and the power to initiate and maintain actions at law or equity or any other type of action or proceeding of any nature, in this and other jurisdictions;

(iii) to pursue any creditor's remedies available to enforce the Liquidator's claims;

(e) to conduct public and private sales of the assets and property of Freelancers, including any real property;

(f) to acquire, invest, deposit, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or deal with any asset or property of Freelancers, and to sell, reinvest, trade or otherwise dispose of any securities or bonds presently held by Freelancers, upon such terms and conditions as the Liquidator deems to be fair and reasonable, irrespective of the value at which such property was last carried on the books of Freelancers. The Liquidator shall also have the power to execute, acknowledge and deliver any and all deeds, assignments, releases and other instruments necessary or proper to effectuate any sale of property or other transaction in connection with the liquidation;

(g) upon approval of the Court, to borrow money on the pledge of assets of Freelancers with or without security and to execute and deliver all documents necessary to that transaction for the purpose of facilitating the liquidation. Neither the Commissioner nor his designees or appointees shall be held liable in their official or personal capacities for any loans made for such purposes;

(h) to enter into such contracts as are necessary to carry out this Order and to affirm or disavow any contracts to which Freelancers is a party;

(i) to institute and to prosecute, in the name of Freelancers or in his own name, any and all suits and other legal proceedings, to defend suits to which Freelancers or the Liquidator is a party, in this State or elsewhere, commenced prior or subsequent to this Order, to abandon the prosecution or defense of suits, legal proceedings and claims which he deems inappropriate to pursue further and to compromise suits, legal proceedings or claims on such terms and conditions as he deems appropriate;

(j) to prosecute any action which may exist on behalf of the creditors, policyholders, or shareholders of Freelancers against any officer, director, or trustee of Freelancers or any other person or entity;

(k) to perform such further and additional acts as he may deem necessary or appropriate for the accomplishment of or in aid of the purpose of liquidation, it being the intention of this Order that the aforesaid enumeration of powers shall not be construed as a limitation upon the Liquidator or Deputy Liquidator.

14. The Liquidator may at his discretion, as of the date of this Order, discontinue the defense of claims, suits and other proceedings, in this State and elsewhere, in which the insureds of Freelancers are parties, including those claims made and suits and proceedings undertaken prior to the date of this Order.

15. The Liquidator shall give or cause to be given notice of the entry of this Order, and such other relevant information as the Liquidator deems appropriate, as soon as possible by publication on a single date to be established as soon as possible by the Commissioner or his designee in newspapers of general circulation in the county in which Freelancers' corporate offices were previously located, specifically, The Newark Star Ledger, The Courier Post, and The New Jersey Law Journal.

16. All claims against Freelancers must be asserted within 180 days from the date of the Order of Liquidation, in the form established by the Commissioner, or such claims will be

forever barred. The Commissioner shall establish procedures for claim submission including a Proof of Loss form and post instructions on the Commissioner's website.

17. The notice and the procedures established by the Commissioner may contain such other rules, regulations and information as he may deem necessary for the purpose of this proceeding in fixing and determining all lawful claims and demands against Freelancers.

18. (a) The Liquidator shall in his notice require that such claimants make and submit any actual or potential claims which they may have with or against Freelancers, including both known claims and circumstances within the knowledge of such claimant which can reasonably be expected to give rise to claims.

(b) The Liquidator shall in his notice require that claimants who do not know, or have reason to know, of the existence of actual or potential claims against them nonetheless submit a claim in order to preserve their right to assert such actual or potential claims against Freelancers in the future. In the case of such claimants, the proof of loss requirement shall be deemed satisfied if the claimant states by way of proof that he intends to reserve his rights to assert all future claims against Freelancers.

19. The only means by which a potential claimant can assert a claim against Freelancers is by filing a proof of claim pursuant to the procedure set forth herein and in the notice to be issued by the Commissioner. All claims of any kind, including but not limited to provider or hospital charges for covered services provided to Freelancers members or insureds, must be filed with Freelancers at: Health Republic Insurance of New Jersey in Liquidation, Post Office Box 554, Cedar Knolls, N.J. 07927-0554 or, if mailing other than regular mail, Health Republic Insurance of New Jersey in Liquidation, 3 Wing Drive, Suite 260, Cedar Knolls, NJ 07927. If any claimant moves after submitting a claim form, it is the claimant's responsibility to notify the office in writing. Claims must contain at least the following information: (a) claimant's name and address and the name and address of the attorney representing the claimant, if any; (b) itemized amount of the claim with any written support for such claim; (c) date of service; (d) any rights of priority asserted; and (e) a statement that the sum claimed is justly owing and that there is no set off, counterclaim or defense to the claim. The notice described above may establish additional filing requirements for claimants.

20. In addition to submitting a Proof of Loss containing the total of all amounts owed to a provider by Freelancers, Providers shall continue to timely submit all

claims constituting requests for reimbursement of medical services through established procedures using Freelancers' current vendor.

21. No claim need be considered or allowed if it does not contain all the information required by the Liquidator.

22. Notice given in accordance with Paragraphs 17-19 above shall be considered actual notice to all prospective claimants and the ultimate distribution of the assets of Freelancers shall be conclusive with respect to all persons or entities whether or not they receive the notice described above. Failure to receive actual notice of the claims filing procedure set forth above shall not, in any way, provide a basis for a person or entity to challenge the distribution of assets in this liquidation.

23. Except as otherwise provided in N.J.S.A. 17B:32-64c, the Liquidator may in his discretion permit a claimant to file a late proof of claim, but late claims shall not share in the distribution of assets until all timely allowed claims have been paid in full.

24. Pursuant to N.J.S.A. 17B:32-65d, no judgment or order against a member of Freelancers or Freelancers entered after the date of filing of the petition for liquidation and no judgment or order against a member or Freelancers entered at any time by default or by collusion need be considered as evidence

of liability or of quantum of damages. No judgment or order against an insured or the insurer entered within four months before the filing of the petition need be considered as evidence of liability or of the quantum of damages.

25. The amounts recoverable by the Liquidator from any reinsurer of Freelancers shall not be reduced as a result of this delinquency proceeding, or by reason of any partial payment or distribution on a reinsured policy, contract or claim. Setoffs shall be allowed between Freelancers and its reinsurer only with the consent of the Liquidator. Unless either the insurance contract or an applicable statute provides to the contrary, payment made directly to an insured or other creditor shall not diminish the reinsurer's obligation to Freelancers.

26. (a) Any agent, broker, premium finance company, or any other person, other than the insured, responsible for the payment of a premium, shall be obligated to pay any unpaid premiums, whether earned or unearned, as shown on the records of Freelancers as of the date of entry of this Order. No credit or set-off shall be allowed in favor of such person against his account with Freelancers for the unearned portion of the premium on any canceled contract or policy, unless (i) that contract or policy was cancelled prior to the entry of this Order; and (ii) the unearned premium on the cancelled contract or policy was in fact refunded or credited to the insured or his or her assigns

prior to the entry of this Order. The Liquidator shall also have the right to recover from such person any part of an unearned premium that represents a commission to such person.

(b) All group and individual policyholders of Freelancers shall be obligated to pay any unpaid earned premium due to Freelancers at any time, as shown on the records of Freelancers.

27. Existing contracts and other obligations by and between Freelancers and any reinsurer may, at the discretion of the Liquidator, be terminated. Such termination shall be effected by written notice issued by the Liquidator addressed to the reinsurer.

28. All existing contracts by and between Freelancers and any party other than a reinsurer may, at the discretion of the Commissioner, be affirmed, suspended, modified, voided or terminated.

29. Within 180 days of the date of entry of this Order, the Commissioner shall file with this court a statement of Freelancers' financials, including a balance sheet and income statement.

30. Within 270 days of the entry of entry of this Order, the Commissioner shall report all claims to the Court along with his recommendation as to their resolution. The Court shall then establish a date to hear objections to said

recommendations and shall give such notice as the Court determines to be appropriate.

31. Pursuant to N.J.S.A. 17B:32-74, all unclaimed funds subject to distribution remaining in the Liquidator's hands when he is ready to apply to the Court for discharge, including those amounts distributable to any creditor, shareholder, member or other person who is unknown or cannot be found, shall be deposited with the State Treasurer, and shall be disbursed pursuant to the terms of N.J.S.A. 46:30B-1, et seq.

32. Pursuant to N.J.S.A. 17B:32-75, when all assets justifying the expense of collection and distribution have been collected and distributed under this Order, the Liquidator shall apply to the Court for discharge of the Liquidator's obligations. Such discharge shall not be applied against any creditors of the Freelancers estate to deny payment of claims by any insurer or any other party that seeks to avoid the payment of any such claim. The Court may grant the discharge and make any other orders, including an order to transfer any remaining assets that are uneconomic to distribute, as may be deemed appropriate.

33. All further papers filed in these proceedings shall bear the caption and be entitled:

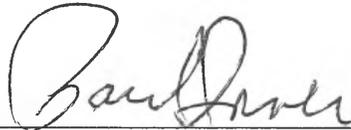
"I/M/O the Liquidation of Freelancers Consumer Operated and Oriented Program of New Jersey d/b/a Health Republic Insurance of New Jersey".

34. If any provision of this Order or the application thereof is for any reason held to be invalid, the remainder of this Order and the application thereof to other persons or circumstances shall not be affected.

35. Any person, corporation or other entity having notice of this Order who fails to abide by its terms shall be directed to appear before this Court to show good cause, if any they may have, as to why they should not be held in contempt of Court for violation of the provisions of this Order.

36. The Commissioner as Liquidator may at any time make further application for such additional and different relief as he sees fit.

37. This Court shall retain jurisdiction for all purposes necessary to effectuate and enforce this Order.



Paul Innes, P.J.Ch.Div.