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Commissioner of the Department  
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**COPY**

SUPERIOR COURT OF NEW JERSEY  
MERCER COUNTY  
CLERK'S OFFICE

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

RICHARD J. BADOLATO, )  
COMMISSIONER OF THE )  
DEPARTMENT OF BANKING AND )  
INSURANCE OF NEW JERSEY, )  
Plaintiff, )

Civil Action

v. )

FREELANCERS CONSUMER OPERATED )  
AND ORIENTED PROGRAM OF NEW )  
JERSEY D/B/A HEALTH REPUBLIC )  
INSURANCE OF NEW JERSEY, )  
Defendant. )

ORDER TO SHOW CAUSE WITH  
TEMPORARY RESTRAINTS  
PURSUANT TO RULE 4:52 AS  
TO WHY AN ORDER OF  
REHABILITATION AND  
DECLARATION OF INSOLVENCY  
SHOULD NOT BE ENTERED

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"), seeking relief by way of temporary restraints pursuant to R. 4:52, based on the facts set forth in the Verified Complaint filed herewith for an order directing all persons having an interest in or claim against Freelancers Consumer Operated and Oriented Program of New Jersey d/b/a Health Republic Insurance of New Jersey ("Freelancers") to appear and show cause why an order should not be entered, pursuant to N.J.S.A. 17B:32-42, providing for the rehabilitation of Freelancers, and imposing injunctive relief pursuant to N.J.S.A. 17B:32-39, and the Court having considered the Verified Complaint, Petition for Liquidation, Letter Brief, and the Certifications of Kristine A. Maurer, Assistant Director of the Division of Insurance for the New Jersey Department of Banking and Insurance, and Richard Schlesinger, Chief Insurance Examiner in the Office of Solvency Regulation for the New Jersey Department of Banking and Insurance; and

IT APPEARING that Freelancers is insolvent and in such financial condition that its further transaction of business will be hazardous to its policyholders, creditors, or the public; and

IT FURTHER APPEARING that Freelancers's book of business is comprised of policies directly written in New Jersey; and

IT FURTHER APPEARING that Freelancers has consented to being placed into rehabilitation by the Commissioner; and

IT FURTHER APPEARING that immediate and irreparable damage will probably result before notice can be given and a hearing held, and for good cause appearing therefrom;

IT IS on this 14<sup>th</sup> day of September, 2016,

ORDERED that:

(1) Defendant Freelancers appear and show cause before the Honorable Paul Innes, Presiding Judge, Chancery Division, Superior Court of New Jersey, Mercer County Civil Courts

*October* Building, 175 South Broad Street, Trenton, New Jersey on

~~September~~ 19<sup>th</sup>, 2016, at 2:00 *P*.m., or as soon

thereafter as counsel may be heard, why an order should not be entered:

(a) declaring Freelancers to be insolvent;

(b) appointing the Commissioner as Rehabilitator of Freelancers with all the powers and authority expressed or implied by N.J.S.A. 17B:32-31 to -92 and the implementing regulations for those statutes, and vesting him with immediate and exclusive possession and control of, and title to, the business of Freelancers and all books, records, files,

equipment, computer hardware and software, assets, and property of any nature of or relating to Freelancers' operations, whether real or personal, including but not limited to bank accounts, certificates of deposit, bonds, securities, or other financial instruments of Freelancers, wherever such materials may be located or situated;

(c) directing the Commissioner to take immediate and exclusive possession of the business and property of Freelancers, to exercise full and exclusive authority over the business and affairs of Freelancers, and to rehabilitate Freelancers;

(d) temporarily enjoining all persons and entities from pursuing litigation against Freelancers, or from interfering with the Commissioner's efforts to rehabilitate Freelancers;

(e) halting further payment of claims by Freelancers except with the express written consent or directive of the Rehabilitator or his designees or appointees;

(f) providing that all claims must be asserted against Freelancers no later than one year from the date of the Order of Rehabilitation, in the form established by the Commissioner, or such claims will be forever barred;

(g) establishing procedures governing the payment of claims by Freelancers;

(h) granting the Commissioner such other injunctive and equitable relief as may be necessary to protect the policyholders and creditors of Freelancers and the public from the effects of Freelancers' insolvency (a copy of the proposed form of Order of Rehabilitation is filed concurrently herewith); and

(2) Effective immediately on entry of this Order, and until further order of this court, Freelancers is declared to be insolvent. This declaration of insolvency is without prejudice and shall not preclude the management or members of Freelancers, if any, who deny that Freelancers is insolvent from contesting the Commissioner's Petition for Rehabilitation on the return date of this Order, or at a subsequent hearing; and

And it is further ORDERED that, pending the return date herein:

(1) Effective immediately upon entry of the within Order and pursuant to N.J.S.A. 17B:32-39, all persons, corporations, partnerships, associations, governmental entities, and all other entities of any nature wherever situated including, but not limited to, those not within the jurisdiction of the Commissioner, and Freelancers, its directors, officers, trustees, agents, employees, representatives, and claimants, and creditors thereof, are hereby enjoined and restrained from:

- (a) Commencing, maintaining, or further prosecuting any action at law or equity, or any special proceeding or any other proceeding of any nature against Freelancers, without leave of the Commissioner or this court;
- (b) Taking any action in violation of any administrative orders issued with respect to Freelancers, which remain in full force and effect;
- (c) Undertaking any other threatened or contemplated action that might lessen the value of Freelancers' assets, or prejudice the rights of the policyholders, creditors, or members in this proceeding except as permitted by the Commissioner;
- (d) Commencing, maintaining, or further prosecuting any action at law or in equity, or any special proceeding or any other proceeding of any nature against the policyholders of Freelancers resulting from Freelancers' insolvency or the failure of Freelancers or any party contracted by Freelancers to pay any of its contractual obligations; and
- (e) Except as otherwise provided herein, terminating or canceling without leave of Court, any lease, contract, license, or other arrangement with Freelancers for the provision or supply of any office space supplies, or equipment including, but not limited to, computer hardware and/or software or any other services or materials or equipment of any nature that are required to operate the business of Freelancers; and

(2) All secured creditors or parties, lien holders, collateral holders, or other persons claiming a secured,

priority, or preferred interest in any property or assets of Freelancers are hereby enjoined and restrained 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; and

(3) Effective immediately upon execution of this Order, no bank, savings and loan association, or other financial institution, or any other entity of any nature holding property, assets, funds, or accounts of, for, or on behalf of, Freelancers, including any member, provider, subscriber, or creditor of Freelancers, shall exercise any form of set-off, alleged set-off lien, or any form of self-help whatsoever with respect to said property, assets, funds, or accounts without the prior approval of this Court; and

(4) Effective immediately upon execution of this Order, the officers, directors, trustees, agents, representatives, and employees of Freelancers, and, if appropriate, any entity that contracts with such party shall permit the Commissioner, his staff, or designees to have access to any and all premises, and if requested, copies of all or parts of any and all accounts, records, and files, relating to the operation of Freelancers; and

~~(5) Effective immediately and pending the return date of this Order, all court actions, arbitrations, and mediations~~

~~currently or hereafter pending in which Freelancers is a party  
in the State of New Jersey or elsewhere, are hereby stayed; and~~

(5) Effective immediately and pending the return date of this Order, there shall be no further payment of claims by Freelancers except at the directive of the Commissioner or of this court; and

It is further ORDERED that:

(1) The above restraints shall expire on October 19, 2016, unless on or before that date said restraints shall be extended as provided by the Rules of Court, and Freelancers may move to dissolve or modify the temporary restraints herein contained on two days' notice to Deputy Attorney General William B. Puskas, Jr.; and

(2) A copy of this Order, Verified Complaint, Petition for Rehabilitation, supporting Certification, and Letter Brief shall be served on Freelancers and on all parties listed on the Petition for Rehabilitation or before September 28, 2016, in accordance with R. 4:4-3 and R. 4:4-4, this being original process; and

(3) Plaintiff must file with the court his proof of service of the pleadings on Freelancers no later than three days before the return date; and

(4) A copy of this Order and all supporting materials filed herewith shall be available for public inspection on the

Department's website (<http://www.state.nj.us/DoB&I/finesolv.htm>) and during regular business hours beginning two days after the date of this Order and until the return date of this Order at the following locations:

- (a) Health Republic Insurance Company  
570 Broad Street, Suite 1100  
Newark, NJ 07102
- (b) N.J. Department of Banking and Insurance  
Office of Solvency Regulation  
20 West State Street, 8<sup>th</sup> Floor  
Trenton, NJ 08625
- (c) Superior Court of New Jersey, Mercer County  
Mercer County Civil Courts Building  
175 South Broad Street  
Trenton, NJ 08650-0068

(5) Notice of this application to any other interested parties shall be accomplished by publishing a copy of this Order in a newspaper of general circulation in the county within which Freelancers's corporate offices are located, specifically, The Newark Star Ledger, The Courier Post, and The New Jersey Law Journal, with such publication to commence as soon as practicable after the date of entry of this Order. Such notice shall constitute good and sufficient notice of this application to all persons having an interest in or claim against Freelancers subject to the requirements of due process of law; and

~~(6) The Commissioner's representatives shall serve a copy of this Order by facsimile transmission upon all civil~~

~~Presiding Judges and all Civil Case Managers upon receipt of an executed copy, and~~

(6) Plaintiff must file and serve any written reply to Freelancers' opposition to this Order, if any, by October 12, 2016. The original reply papers and one copy must be filed with the Honorable Paul Innes, P.J. Ch. Div., Superior Court of New Jersey, Mercer County Civil Courts Building, 175 South Broad Street, Trenton, New Jersey 08650; and

(7) If Freelancers does not file and serve opposition to this Order, the application will be decided on the papers on the return date and relief may be granted by default, provided that Plaintiff files a proof of service and a proposed form of order at least 5 days prior to the return date; and

(8) If Plaintiff has not already done so, a proposed form of order addressing the relief sought on the return date (along with a self-addressed return envelope with return address and postage) must be submitted to the court no later than five days before the return date; and

(9) Defendant take notice that Plaintiff has filed a lawsuit against you in the Superior Court of New Jersey. The verified complaint attached to this Order states the basis of the lawsuit. If you dispute this complaint, you, or your attorney, must file a written answer to the complaint and proof

of service with 35 days from the date of service of this order to show cause; not counting the day you received it.

These documents must be filed with the Clerk of the Superior Court in the county listed above. A list of these offices is provided. Include a \$175.00 filing fee payable to the "Treasurer, State of New Jersey." You must also send a copy of your Answer to Plaintiff's attorney whose name and address appear above, or to Plaintiff, if no attorney is named above. A telephone call will not protect your rights; you must file and serve your Answer (with the fee) or judgment may be entered against you by default. Please note: Opposition to the Order is not an Answer and you must file both. Please note further: If you do not file and serve an Answer within 35 days of this Order, the court may enter a default against you for the relief plaintiff demands; and

(16) If you cannot afford an attorney, you may call the Legal Services office in the county in which you live. A list of these offices is provided. If you do not have an attorney and are not eligible for free legal assistance you may obtain a referral to an attorney by calling one of the Lawyer Referral Services. A list of these numbers is also provided; and

(11) If any interested party intends to file answering affidavits or briefs or seek other relief in the present matter,

such papers shall be filed with the Court and served upon Deputy Attorney General William B. Puskas, Jr., Attorney for the Commissioner, on or before October 7, 2016; and

(13) The court will entertain argument, but not testimony, on the return date of this Order, unless the court and parties are advised to the contrary no later than 5 days before the return date.



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Hon. Paul Innes, P.J. Ch. Div.