



State of New Jersey

OFFICE OF THE ATTORNEY GENERAL
DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF LAW
25 MARKET STREET
PO Box 117
TRENTON, NJ 08625-0117

CHRISTOPHER S. PORRINO
Attorney General

MICHELLE L. MILLER
Acting Director

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

December 15, 2016

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DEC 15 2016

SUPERIOR COURT OF NJ
MERCER VICINAGE
CIVIL DIVISION

DELIVERED BY HAND

Hon. Paul Innes, P.J.Ch.D.
Mercer County Civil Courts Building
175 S. Broad Street, 4th Floor
Trenton; NJ 08650

Re: I/M/O THE REHABILITATION OF FREELANCERS CONSUMER
OPERATED AND ORIENTED PROGRAM OF NEW JERSEY
d/b/a Health Republic Insurance of New Jersey
Docket No. C-63-16
Petition for Liquidation

Dear Judge Innes:

Please be advised that our office represents the New Jersey Commissioner of Banking and Insurance. The defendant, Freelancers Consumer Operated and Oriented Program of New Jersey ("Freelancers"), was declared insolvent and placed into rehabilitation by order of this court, dated October 19, 2016. The Commissioner now deems it necessary and advisable to seek an Order of Liquidation with respect to Freelancers.

Enclosed herewith for your Honor's consideration please find an original and one copy of each of the following documents:

- (a) Order to Show Cause with Continuation of Restraints;
- (b) Petition for Liquidation;
- (c) Certification of Richard Schlesinger;
- (d) Letter Brief; and
- (e) Order of Liquidation (original and 3 copies).



For the reasons set forth in the supporting documents, the Commissioner respectfully requests that your Honor consider this application and, if appropriate, enter the Order to Show Cause as soon as possible. Based upon the imminent liquidity crisis facing Freelancers, as described in the supporting documents, the Commissioner further respectfully requests that your Honor consider and, if appropriate, set a short return date for the Order.

If your Honor should enter the requested Order to Show Cause, kindly have your clerk contact our office and we will arrange for our courier to pick up a copy of the conformed Order. Thank you for your anticipated courtesy and consideration in this matter.

Respectfully yours,

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY

By: 

William B. Puskas, Jr.
Deputy Attorney General
William.Puskas@dol.lps/state.nj.us

c w/encs: DoB&I

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Richard J. Hughes Justice Complex
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Attorney for Plaintiff,
Commissioner of the Department
of Banking and Insurance

By: William B. Puskas, Jr. (NJ Attorney ID# 0149019)
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SUPERIOR COURT OF NJ
MERCER VICINAGE
CIVIL DIVISION

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)
JERSEY D/B/A HEALTH REPUBLIC)
INSURANCE OF NEW JERSEY)
)
)

ORDER TO SHOW CAUSE WITH
CONTINUATION OF RESTRAINTS
AS TO WHY AN ORDER OF
LIQUIDATION 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"), and Rehabilitator of Freelancers Consumer Operated and Oriented Program of New Jersey d/b/a Health Republic Insurance of New Jersey ("Freelancers"), on a Petition for Liquidation of Freelancers, to appear and show cause why an order should not be entered, pursuant to N.J.S.A. 17B:32-45

to -47, providing for the liquidation of Freelancers, termination of the Order of Rehabilitation of Freelancers entered on October 19, 2016, and continuing the injunctive relief previously granted pursuant to N.J.S.A. 17B:32-39; and the Court having considered the Petition for Liquidation, Letter Brief, and the Certification of Richard Schlesinger, Chief Insurance Examiner in the Office of Solvency Regulation for the New Jersey Department of Banking and Insurance; and for good cause appearing,

IT IS on this _____ day of _____, 2016,

ORDERED that:

(1) Any person having an interest in or claim against Freelancers appear and show cause before the Honorable Paul Innes, Presiding Judge, Chancery Division, Superior Court of New Jersey, Mercer County Civil Courts Building, 175 South Broad Street, Trenton, New Jersey on _____, 20__, at _____ .m., or as soon thereafter as counsel may be heard, why an order should not be entered:

a. Appointing the Commissioner as Liquidator of Freelancers with all the powers and authority expressed or implied by N.J.S.A. 17B:32-31 to -92;

b. Directing the Commissioner to liquidate Freelancers;

c. Terminating the Order of Rehabilitation of Freelancers, entered on October 19, 2016;

d. Permanently enjoining all persons and entities from pursuing litigation against Freelancers, or from interfering with the Commissioner's efforts to liquidate Freelancers;

e. Halting further payment of claims by Freelancers except with the express written consent or directive of the Liquidator or his designees or appointees;

f. Providing that all claims must be asserted against Freelancers no later than 180 days from the date of the Order of Liquidation, 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, as the court may deem just and proper; and

2. In continuation of the Order of Rehabilitation, dated October 19, 2016, effective immediately and pending the return date of this Order to Show Cause, there shall be no further payment of claims or other expenses by Freelancers except at the directive of the Commissioner or of this court; and

3. 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, on or before _____, 20___, with such publication to commence within _____ days of the date of this Order, or as soon as practicable thereafter, and to be repeated once a week thereafter for two successive weeks. Such notice shall constitute good and sufficient service of this application to all persons having an interest in or claim against Freelancers subject to the requirements of due process of law; and

4. A copy of this Order to Show Cause and all supporting materials filed herewith shall be available for public inspection on the Department's website at: http://www.state.nj.us/dobi/division_insurance/finesolv.htm, and during regular business hours, beginning two days after the date of this Order to Show Cause and until the return date of the Order to Show Cause 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, 8th 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

;and

5. The restraints set forth in the October 19, 2016 Order of Rehabilitation shall continue in full force and effect, pending the return date of this Order to Show Cause; and

6. If any person intends to file answering affidavits or briefs or seek other relief in the present matter, it shall file and serve a written response to this Order to Show Cause and proof of service by _____, 20____. 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. A copy of any opposition papers shall also be sent to Deputy Attorney General William B. Puskas, Jr., Attorney for the Commissioner, whose address appears above.

7. If no person files and serves opposition to this Order to Show Cause, the application will be decided on the papers on the return date and the relief sought may be granted by default, provided

that, if the 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) is submitted to the court no later than three (3) days before the return date.

8. The court will entertain argument, but not testimony, on the return date of the Order to Show Cause, unless the court and parties are advised to the contrary no later than ___ days before the return date.

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

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY
Richard J. Hughes Justice Complex
25 Market Street
P.O. Box 117
Trenton, New Jersey 08625
Attorney for Plaintiff,
Commissioner of the Department
of Banking and Insurance

By: William B. Puskas, Jr. (NJ Attorney ID# 014901976)
Deputy Attorney General
(609) 292-7669
William.Puskas@lps.state.nj.us

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)	
JERSEY D/B/A HEALTH REPUBLIC)	PETITION FOR LIQUIDATION
INSURANCE OF NEW JERSEY)	OF FREELANCERS CONSUMER
)	OPERATED AND ORIENTED PROGRAM
)	OF NEW JERSEY D/B/A HEALTH
)	REPUBLIC INSURANCE OF NEW
)	JERSEY
)	

TO: Honorable Paul Innes, P.J. Ch. Div.
Superior Court of New Jersey, Chancery Division
Mercer County Civil Courts Building
175 South Broad Street
Trenton, NJ 08650

Freelancers Consumer Operated and Oriented
Program of New Jersey d/b/a Health Republic
Insurance of New Jersey
c/o Craig A. Domalewski, Esq.
Dughi, Hewit & Domalewski, PC
Attorney for Freelancers CO-OP of New Jersey
340 North Avenue
Cranford, NJ 07016

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DEC 15 2015
SUPERIOR COURT OF NJ
MERCER VICINAGE
CIVIL DIVISION

New Jersey Life and Health Insurance Guaranty
Association
11 Wharf Avenue
Red Bank, NJ 07920
ATTN: James Lenaghan, Executive Director

PLEASE TAKE NOTICE that, as soon as counsel may be heard, Christopher S. Porrino, Attorney General of New Jersey, by William B. Puskas, Jr., Deputy Attorney General, attorney for Richard J. Badolato, Commissioner of Banking and Insurance, Rehabilitator of Freelancers Consumer Operated and Oriented Program of New Jersey d/b/a Health Republic Insurance of New Jersey ("Freelancers") , will move before the court at a date and time to be set by the Honorable Paul Innes, P.J. Ch. Div., for: (1) an Order To Show Cause with Continuation of Restraints; and (2) an Order approving the liquidation of Freelancers; and

PLEASE TAKE FURTHER NOTICE that in support of this application, the Commissioner will rely on the Letter Brief and the Certification of Richard Schlesinger, Chief Insurance Examiner in the Office of Solvency Regulation for the New Jersey Department of Banking and Insurance, submitted in support of

this Petition. A form of Order to Show Cause and a form of Order of Liquidation are also submitted with this Petition.

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY

By: 

William B. Puskas, Jr.
Deputy Attorney General

Dated: December 15, 2016

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY
Richard J. Hughes Justice Complex
25 Market Street
P.O. Box 117
Trenton, New Jersey 08625
Attorney for Plaintiff,
Commissioner of the Department
of Banking and Insurance

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DEC 15 2016

SUPERIOR COURT OF NJ
MERCER VICINAGE
CIVIL DIVISION

By: William B. Puskas, Jr. (NJ Attorney ID# 014901976)
Deputy Attorney General
(609) 292-7669
William.Puskas@lps.state.nj.us

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) CERTIFICATION OF
JERSEY D/B/A HEALTH REPUBLIC) RICHARD SCHLESINGER
INSURANCE OF NEW JERSEY)
)

RICHARD SCHLESINGER, of full age, hereby certifies and
says:

1. I am the Chief Insurance Examiner in the Office
of Solvency Regulation for the New Jersey Department of Banking
and Insurance ("the Department"). My responsibilities include
monitoring and overseeing the financial condition of all
insurance entities transacting business in New Jersey. I make
this certification in support of the Commissioner's application
to place Freelancers Consumer Operated and Oriented Program of

New Jersey d/b/a Health Republic Insurance of New Jersey ("Freelancers"), into liquidation.

2. Freelancers is a New Jersey health insurer licensed to transact insurance business in New Jersey. Freelancers was formed as a mutual health insurance company on May 1, 2013, and authorized to transact health insurance business as of June 21, 2013.

3. Freelancers was formed pursuant to the Consumer Operated and Oriented Plan (CO-OP) Program established as a part of the federal Patient Protection and Affordable Care Act, P.L. 111-148.

4. On October 19, 2016, upon the petition of the Commissioner of Banking and Insurance ("Commissioner"), this court placed Freelancers into rehabilitation and named the Commissioner as Rehabilitator. A copy of the Order of Rehabilitation is attached as Exhibit A.

5. In entering the Order of Rehabilitation, the court declared Freelancers to be insolvent, as defined at N.J.S.A. 17B:32-33, based on Freelancers' negative capital and surplus of (\$14,411,124) as of June 30, 2016.

6. The court also found Freelancers to be in such condition, pursuant to N.J.S.A. 17B:32-41a, that its further transaction of business will be hazardous to its policyholders, creditors, and the public.

7. Based on the information and analyses provided to the Commissioner by Deputy Rehabilitator Michelina A. Lombardo and Department staff, Freelancers' insolvency continues and deepens. Freelancers has a negative capital and surplus of (\$27,824,440) as of September 30, 2016, and will remain insolvent for the foreseeable future.

8. At the time of the Commissioner's petition to place Freelancers into rehabilitation in September 2016, he could have petitioned to place Freelancers directly into liquidation pursuant to N.J.S.A. 17B:32-46b, based on Freelancers' insolvency.

9. The Commissioner, in his discretion, decided instead to petition for rehabilitation to afford Freelancers' management and board of trustees an opportunity to continue then-ongoing negotiations with potential outside investors.

10. Successful negotiations could have resulted in an infusion of funds that could possibly have stabilized Freelancers' financial condition and put Freelancers in a position to eventually emerge from rehabilitation.

11. The negotiations were not successful. Accordingly, the Commissioner has determined that it is now necessary to liquidate Freelancers.

12. Based on the information and analyses provided to the Commissioner by the Deputy Rehabilitator and Department

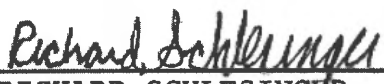
staff, Freelancers' financial condition continues to worsen. Freelancers' negative capital and surplus has continued to deteriorate from (\$14,411,124) as of June 30, 2016, to (\$27,824,440) as of September 30, 2016. Similarly, as of June 30, 2016, Freelancers' projections showed a negative cash position was likely to arise by January 2017. As of September 30, 2016, this negative cash position is still expected to occur at that time: cash on hand is projected to be \$27,312,478; reported and Incurred But Not Yet Reported ("IBNR") claims are projected to total \$45,441,385; thus resulting in a negative cash position totaling \$18,128,907 by January 2017. Accordingly, Freelancers needs to be placed into liquidation as soon as practicable to trigger coverage of provider claims by the New Jersey Life and Health Insurance Guaranty Association ("LHIGA").

13. Freelancers' cash flow projections further underscore the need to place Freelancers into liquidation as soon as possible. The respective staffs of the liquidation estate and LHIGA will need to take several preparatory administrative steps to enable the prompt and efficient transition of claims administration to LHIGA.

14. Accordingly, the Commissioner has determined that Freelancers must be placed in liquidation as soon as possible.

Freelancers is insolvent and there are no options other than to liquidate the insurer and run-off its business.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.



RICHARD SCHLESINGER
Chief Insurance Examiner
Office of Solvency Regulation

Dated: December 13, 2016

EXHIBIT A

COPY

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY
Richard J. Hughes Justice Complex
25 Market Street
P.O. Box 117
Trenton, New Jersey 08625
Attorney for Plaintiff,
Commissioner of the Department
of Banking and Insurance

FILED
OCT 19 2016
SUPERIOR COURT OF NJ
MERCER VICINAGE
CHANCERY

By: William B. Puskas, Jr. (NJ Attorney ID# 014901976)
Deputy Attorney General
(609) 292-7669
William.Puskas@lps.state.nj.us

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,)

ORDER OF REHABILITATION

Defendant.)

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

Richard J. Badolato, the Commissioner of the Department of Banking and Insurance ("Commissioner"), on application for an Order to be entered: (a) declaring Freelancers Consumer Operated and Oriented Program of New Jersey d/b/a Health Republic Insurance of New Jersey ("Freelancers") to be insolvent; (b) directing the Commissioner to rehabilitate Freelancers; and (c) permanently enjoining all persons and entities from pursuing litigation against Freelancers or from interfering with the Commissioner's efforts to rehabilitate Freelancers, and the Court having considered the Commissioner's application, the Court hereby finds that:

A) 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.

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

C) The written and published notice of the Petition for Rehabilitation 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.

D) Sufficient grounds exist pursuant to N.J.S.A. 17B:32-41a and -33 for entry of an Order of Rehabilitation and

Declaration of Insolvency, and such Order of Rehabilitation should be entered pursuant to N.J.S.A. 17B:32-42.

It is, therefore, on this 19th day of October, 2016, ORDERED:

1. Pursuant to N.J.S.A. 17B:32-31 and -41a, Freelancers is deemed to be insolvent and is in such a condition that its further transaction of business will be hazardous to its policyholders, to its creditors, and to the public.

2. The Commissioner and his successors in office are appointed as Rehabilitator of Freelancers (hereinafter as "Rehabilitator") with all the power and authority expressed or implied by N.J.S.A. 17B:32-31 to -92, including the power to appoint and recompense a Deputy Rehabilitator pursuant to N.J.S.A. 17B:32-43. The Deputy Rehabilitator shall have no personal liability for his acts or omissions in connection with his duties as Deputy Rehabilitator 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 Rehabilitator 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 Rehabilitator in connection with lawsuits against him in his personal capacity shall, subject to the prior written

approval of the Commissioner, 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 Rehabilitator. The Commissioner as Rehabilitator may also appoint and employ such counsel, clerks, professionals (e.g. actuaries, accountants, etc.), and assistants as deemed necessary in connection with the rehabilitation of Freelancers. All persons appointed by the Commissioner shall serve at the pleasure of the Commissioner.

3. The Rehabilitator is hereby vested with title to all assets of Freelancers, including but not limited to any of Freelancers' contracts, causes of action, books, records, bank accounts, certificates of deposits, funds, securities, or other funds, and all real or personal property of any nature, including furniture, fixtures, and office supplies, wherever located, including such property of Freelancers which may be discovered hereafter, and is hereby directed to take immediate and exclusive possession and control of same. The filing or recording of this Order with the Clerk of this Court and with the recorder of deeds of the jurisdiction in which Freelancers' corporate administrative offices are located or, in the case of real estate, with the recorder of deeds of the jurisdictions where the properties are located, shall impart the same notice

as would be imparted by a deed, bill of sale, or other evidence of title filed or recorded. Except as otherwise indicated elsewhere in this Order, and upon notice provided by the Rehabilitator, all agents and brokers and all other persons or entities holding funds, assets, or property of or on behalf of Freelancers shall forthwith file an accounting of those funds, assets, or property with the Rehabilitator and shall, within 10 days of the service of this Order, turn said funds, assets, or property over to the Rehabilitator. The Rehabilitator shall take such actions as he may deem necessary and appropriate to protect and preserve Freelancers' assets.

4. The Rehabilitator is directed to take such action as he deems necessary to or appropriate to reform, revitalize, rehabilitate, or run-off Freelancers.

5. The Rehabilitator shall deal with the property and business of Freelancers in his own name as Commissioner or as Rehabilitator in the name of Freelancers.

6. Pursuant to the inherent powers of this Court, all policies and contracts for the provision of health care benefits and services issued by Freelancers to any of its policyholders, members, or subscribers, shall terminate upon the earliest of the following:

(a) December 31, 2016; or

(b) The date when the policyholder, member or subscriber has effectuated replacement health benefits coverage with another carrier or otherwise terminated the policy or contract. This includes terminations for non-payment of premium with all applicable grace periods under law;

i) For small employer policies with renewal dates between the date of this Order and December 31, 2016, and subject to the exception in ii) below, the anniversary date of their policies will be extended at the same monthly premium rate and with same benefits to continue coverage through December 31, 2016, unless the policy is replaced by the small employer with new coverage from another carrier or terminated by non-payment of premium;

ii) For small employer policies with renewal dates between the date of this Order and December 31, 2016, where the small employer and/or the member has already made a new policy selection from Freelancers, Freelancers shall effectuate those new policy selections on the renewal date of the policy at the monthly premium rate for the new policy; however, those policies shall also terminate on December 31, 2016, absent additional action by the small employer as described above.

The Rehabilitator can apply to the Court for permission to terminate these policies at an earlier date if determined necessary;

This paragraph shall not operate to terminate any other contracts of insurance to which Freelancers is a party, including but not limited to, reinsurance, any directors and officers liability policies, any commercial insurance and/or employee benefit plans covering the business interest of Freelancers and/or its employees.

7. All claims against Freelancers must be asserted not later than one year from the date of the Order of Rehabilitation, in the form established by the Rehabilitator, or such claims will be forever barred. For the purposes of this Order, the word "claim" is defined to include claims for payment made by members, policyholders, subscribers, medical and medical service providers, hospitals, physicians, surgery centers, vendors, contractors, creditors, governmental agencies or any other parties directly against Freelancers.

8. The Rehabilitator shall establish procedures governing the payment of claims by Freelancers in accordance with his powers under N.J.S.A. 17B:32-31 et seq. and the provisions of this Order.

9. 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.

10. Freelancers, its officers, directors, policyholders, members, subscribers, enrollees, agents, and employees, and all other persons or entities of any nature, including but not limited to claimants, vendors, business partners, plaintiffs, petitioners, providers, hospitals or other medical or health care providers and any governmental agencies that have 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 Rehabilitator or his designee;

(b) Instituting, maintaining or further prosecuting any action at law, suit in equity, special, or other proceeding against Freelancers, or the Commissioner as Rehabilitator or his successors in office as Rehabilitator therefore, or against the Deputy Rehabilitator;

(c) Making or executing a levy upon the property 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 policyholder, member, subscriber, enrollee, or insured of Freelancers resulting from Freelancers' insolvency or the failure of Freelancers or an third party administrator to pay on Freelancers' behalf, any medical or hospital bill or to meet any of Freelancers' contractual obligations due to its declaration of insolvency; except for any applicable member cost-sharing (co-payments, co-insurance and/or deductibles) or non-covered services that would ordinarily be the responsibility of the member or other insured party and not the obligation of Freelancers under the applicable health benefits plan; and

(e) Interfering in any way with the Rehabilitator, 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, 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.

11. The Rehabilitator shall have the power to direct the operations of Freelancers, including but not limited to: the adjustment of any compensation paid to, or the removal and/or

discharge of, Freelancers' officers, directors, and employees; and, the affirmation, disavowal or renegotiation of any employment contracts.

12. Freelancers, its officers, directors, policyholders, members, subscribers, enrollees, agents, and employees, and all other persons or entities of any nature, including but not limited to claimants, plaintiffs, petitioners, providers, hospitals or other medical or health care providers and any governmental agencies have claims of any nature against Freelancers including crossclaims, counterclaims and third-party claims, 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 Rehabilitator 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 its direct and indirect insurance subsidiaries shall preserve the same and submit these to the Rehabilitator for examination at all reasonable times.

13. All persons or entities of any nature, other than the Rehabilitator, 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.

14. The Rehabilitator 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 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, rehabilitating, disposing of, or otherwise dealing with the business and property of Freelancers, as determined by the Rehabilitator in his discretion to be appropriate and reasonable, and such payments can either be made in full payment of the liabilities or in accordance with the priority of claims distribution provided in N.J.S.A. 17B:32-71;

(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 Rehabilitator'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 Rehabilitator deems to be fair and reasonable, irrespective of the value at which such property was last carried on the books of Freelancers. The Rehabilitator

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 rehabilitation;

(g) 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 rehabilitation. Any funds so borrowed may be repaid as an administrative expense and have priority over any claims in Class 1 under the priority of distribution of claims pursuant to N.J.S.A. 17B:32-30a(12). Neither the Commissioner as Rehabilitator, his successors in office, 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, renegotiate 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 Rehabilitator 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 or policyholders of Freelancers against any officer or director of Freelancers or any other person or entity;

(k) to audit the books and records of all agents of Freelancers insofar as those records relate to the business activities of Freelancers;

(l) to use the assets of Freelancers to transfer policy obligations to a solvent assuming insurer, if the transfer can be arranged without prejudice to the applicable priorities of N.J.S.A. 17B:32-71;

(m) to perform such further and additional acts, including but not limited to all powers contained in N.J.S.A. 17B:32-50a(6) through (24), as he may deem necessary or appropriate for the accomplishment of or in aid of the purpose of rehabilitation, it being the intention of this Order that the aforesaid enumeration of powers shall not be construed as a limitation upon the Rehabilitator or Deputy Rehabilitator.

15. The Rehabilitator 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.

16. The Rehabilitator shall give or cause to be given notice of the entry of this Order as soon as possible by publication in a newspaper 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. Such publication shall commence within _____ days of the date of this Order and shall be repeated once a week thereafter for two successive weeks.

17. The amounts recoverable by the Rehabilitator 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. Set-offs shall be allowed between Freelancers and its reinsurer only with the consent of the Rehabilitator. 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.

18. Premiums Owed to Freelancers:

(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 canceled prior to the entry of this Order, and (ii) the unearned premium on the canceled 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 Rehabilitator 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.

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

20. If the Rehabilitator determines that reorganization, conversion, reinsurance, merger or other transformation of Freelancers is appropriate, he shall prepare a plan to effect such changes. Upon the application of the

Rehabilitator for approval of the plan, and after such notice and hearings as the court may prescribe, the court may either approve or disapprove the plan proposed, or may modify it and approve it as modified. Any plan approved by the court shall be, in the judgment of the court, fair and equitable to all parties concerned.

21. Pursuant to N.J.S.A. 17B:32-42b, the court hereby requires accountings from the Rehabilitator at six-month intervals. Each accounting shall include a report concerning the Rehabilitator's opinion as to the likelihood that a plan as discussed in Paragraph 20 above will be prepared by the Rehabilitator and the timetable for doing so.

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

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

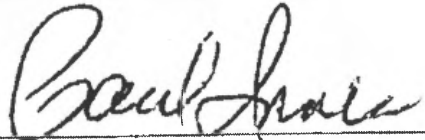
23. If any provision of this Order or the application thereof is for any reason held to be invalid, the remainder of this order and the application thereof to other persons or circumstances shall not be affected.

24. 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.

25. The Rehabilitator may at any time make further application for such additional and different relief as he sees fit.

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

A handwritten signature in cursive script, appearing to read "Paul Innes", written over a horizontal line.

Paul Innes, P.J. Ch. Div.



State of New Jersey

OFFICE OF THE ATTORNEY GENERAL
DEPARTMENT OF LAW AND PUBLIC SAFETY
DIVISION OF LAW
25 MARKET STREET
PO Box 117
TRENTON, NJ 08625-0117

CHRISTOPHER S. PORRINO
Attorney General

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

MICHELLE L. MILLER
Acting Director

December 15, 2016

DELIVERED BY HAND

Hon. Paul Innes, P.J.Ch.D.
Mercer County Civil Courts Building
175 S. Broad Street, 4th Floor
Trenton, NJ 08650

RECEIVED
DEC 15 2016
SUPERIOR COURT OF NJ
MERCER VICINAGE
CIVIL DIVISION

Re: I/M/O FREELANCERS CONSUMER OPERATED AND ORIENTED
PROGRAM OF NEW JERSEY d/b/a Health
Republic Insurance of New Jersey
Docket No. C-63-16
Petition for Liquidation

Dear Judge Innes:

Please accept this letter brief in support of the
Petition for Liquidation of Freelancers Consumer Operated And
Oriented Program of New Jersey d/b/a Health Republic Insurance
of New Jersey ("Freelancers") filed by the Commissioner of
Banking and Insurance ("Commissioner"). Along with this letter
brief, the Commissioner relies on the Certification of Richard
Schlesinger, Chief Insurance Examiner in the Office of Solvency
Regulation. We are also submitting to the court a form of Order
to Show Cause and a form of Order of Liquidation. As set forth
below, due to Freelancers's deepening insolvency and impending



and significant cash flow difficulties, the Commissioner respectfully requests that Your Honor consider his petition on an expedited basis.

STATEMENT OF FACTS AND PROCEDURAL HISTORY

Freelancers is a New Jersey health insurer licensed to transact insurance business in New Jersey. Freelancers was formed as a mutual health insurance company on May 1, 2013, and authorized to transact health insurance business as of June 21, 2013. Certification of Richard Schlesinger ("Schlesinger Cert."), ¶2. Freelancers was formed pursuant to the Consumer Operated and Oriented Plan (CO-OP) Program established as a part of the federal Patient Protection and Affordable Care Act, P.L. 111-148. Schlesinger Cert., ¶3.

Freelancers became insolvent, with a negative capital and surplus of (\$14,411,124) as of June 30, 2016. The Commissioner also determined that Freelancers was in such condition that its further transaction of business would be hazardous to its policyholders, creditors, and the public. On October 19, 2016, because of Freelancers' insolvency and hazardous financial condition, this court granted the Commissioner's petition, declared Freelancers insolvent and placed the company in rehabilitation pursuant to N.J.S.A. 17B:32-31 to -92. Schlesinger Cert., ¶¶4-6 and Exhibit A.

At the time of the Commissioner's petition to place Freelancers into rehabilitation in September 2016, he could have petitioned to place Freelancers directly into liquidation, pursuant to N.J.S.A. 17B:32-46b. The Commissioner, in his discretion, decided instead to petition for rehabilitation to afford Freelancers' management and board of trustees an opportunity to continue then-ongoing negotiations with potential outside investors. Schlesinger Cert., ¶¶8-9. Successful negotiations might have resulted in an infusion of funds that possibly would have stabilized Freelancers' financial condition. Schlesinger Cert., ¶10. The negotiations were not successful. Accordingly, the Commissioner has determined that it is now necessary to liquidate Freelancers. Schlesinger Cert., ¶11.

In light of the insolvent state of Freelancers and the financial projections contained in the Department's original application, the Commissioner sought, and was granted by the Rehabilitation Order, expansive powers to direct the operations of Freelancers in accordance with the provisions of N.J.S.A. 17B:32-31 to -92. Schlesinger Cert., Exhibit A. These powers included many powers traditionally sought in liquidation, including but not limited to: an initial bar date for the filing of all claims against the estate; a termination date for all Freelancers' policies of no later than December 31, 2016; the ability to take any actions necessary to run-off Freelancers

business; enjoining the board and management from taking any action to diminish the assets of the estate or that would interfere in the Commissioner's execution of powers under the Rehabilitation Order; and granting the Commissioner the authority to exercise powers under liquidation such as claims payment prioritization pursuant to N.J.S.A. 17B:32-71 and all powers in N.J.S.A. 17B:32-50a(6) through (24). Ibid. Consequently, the Department in this application is primarily seeking to continue these powers that have already been granted by the court and to add any additional necessary powers to support the now necessary liquidation of the insurer, especially uninterrupted policy claims payments to providers with support of the New Jersey Life and Health Insurance Guaranty Association ("LHIGA") pursuant to N.J.S.A. 17B:32A-1 to -19.

Based on the information and analyses provided to the Commissioner by the Deputy Rehabilitator and Department staff, Freelancers' financial condition continues to worsen. Freelancers' negative capital and surplus has continued to deteriorate from (\$14,411,124) as of June 30, 2016, to (\$27,824,440) as of September 30, 2016. Schlesinger Cert., ¶7. Similarly, as of June 30, 2016, Freelancers' projections showed a negative cash position was likely to arise by January 2017. As of September 30, 2016, this negative cash position is still expected to occur at that time. Cash on hand is projected to be

\$27,312,478; reported and Incurred But Not Yet Reported ("IBNR") claims are projected to total \$45,441,385; thus resulting in a negative cash position totaling \$18,128,907 by January 2017. Schlesinger Cert., ¶12. Freelancers is insolvent and there are no viable alternatives to liquidation of the insurer and the run-off its business. Schlesinger Cert., ¶14.

Accordingly, Freelancers needs to be placed into liquidation as soon as practicable to trigger coverage of provider claims by the LHIGA. Schlesinger Cert., ¶12. Additionally, swift action to place Freelancers into liquidation is of the utmost importance because the respective staffs of the liquidation estate and LHIGA will need to take several preparatory administrative steps to enable the prompt and efficient transition of claims administration to LHIGA so as to hopefully avoid interruptions of timely claims payments to medical providers for services rendered. Schlesinger Cert., ¶13.

ARGUMENT

FREELANCERS WAS DECLARED INSOLVENT BY THE COURT AS A PART OF THE OCTOBER 19, 2016 REHABILITATION ORDER. THUS, THE COMMISSIONER'S PETITION TO LIQUIDATE FREELANCERS MUST BE GRANTED UNDER N.J.S.A. 17B:32-46b.

An insurer is insolvent under the New Jersey Life and Health Rehabilitation and Liquidation Act, N.J.S.A. 17B:32-31 to -92, ("the Act"), if its admitted assets do not exceed its

liabilities plus its capital and surplus as required by law. N.J.S.A. 17B:32-33. Freelancers was declared insolvent by the court as a part of the October 19, 2016 Order of Rehabilitation, based on Freelancers' negative capital and surplus of (\$14,411,124) as of June 30, 2016. Schlesinger Cert., ¶5. Freelancers' financial condition has worsened, as its negative capital and surplus has increased to (\$27,824,440) as of September 30, 2016. Similarly, as of June 30, 2016, Freelancers' projections showed a negative cash position was likely to arise by January 2017, and as of September 30, 2016, this negative cash position is still expected to occur at that time: cash on hand is projected to be \$27,312,478; reported and Incurred But Not Yet Reported ("IBNR") claims are projected to total \$45,441,385; thus resulting in a negative cash position totaling \$18,128,907 by January 2017. Schlesinger Cert., ¶12. Freelancers is insolvent and there are no options other than to liquidate the insurer and run-off its business. Schlesinger Cert., ¶14.

Under the Act, the Commissioner may petition the court for an order to liquidate an insurer under certain enumerated grounds. N.J.S.A. 17B:32-46. "The Commissioner may file a petition for liquidation alleging the grounds set forth in N.J.S.A. 17B:32-46 at any time ... [I]f the Commissioner prevails on any one of [his] asserted grounds, an order of liquidation

must be entered." LaVecchia v. HIP of New Jersey, Inc., 324 N.J. Super. 85, 93-94 (Ch. Div. 1999) (emphases added).

The Commissioner may petition the court for an order to liquidate an insurer on the ground that the insurer is insolvent. N.J.S.A. 17B:32-46b. Freelancers was declared by the court to be insolvent as a part of the October 19, 2016 Order of Rehabilitation, and Freelancers' insolvency continues and deepens. Since Freelancers' insolvency has already been declared, there are no issues of fact concerning the grounds for liquidation that would entitle Freelancers to a hearing. HIP of New Jersey, Inc., supra, 324 N.J. Super. at 92. Thus, the Commissioner's petition should be granted and Freelancers should be placed into liquidation.

For the foregoing reasons, the Commissioner requests that the court grant the Commissioner's petition to liquidate Freelancers as soon as possible.

Respectfully submitted,

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY

By: 

William B. Puskas, Jr.
Deputy Attorney General

CHRISTOPHER S. PORRINO
ATTORNEY GENERAL OF NEW JERSEY
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Attorney for Plaintiff,
Commissioner of the Department
of Banking and Insurance

RECEIVED

DEC 15 2015

SUPERIOR COURT OF NJ
MERCER VICINAGE
CIVIL DIVISION

By: William B. Puskas, Jr. (NJ Attorney ID# 014901976)
Deputy Attorney General
(609) 292-7669
William.Puskas@lps.state.nj.us

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 _____ day of _____, 20____, 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.