

CV16-6072516

KATHARINE L. WADE, INSURANCE
COMMISSIONER OF THE STATE
OF CONNECTICUT

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SUPERIOR COURT

JUDICIAL DISTRICT OF
HARTFORD

VS

HEALTHYCT, INC.

NOVEMBER 1, 2016

ORDER OF REHABILITATION

The Court enters this Order by consent of the parties, Katharine L. Wade, Insurance Commissioner of the State of Connecticut (the "Commissioner") and HealthyCT, Inc. ("HealthyCT") as provided in Conn. Gen. Stat. § 38a-914(1).

IT IS HEREBY ORDERED:

1. This Order of Rehabilitation is entered into pursuant to the provisions of The Insurers Rehabilitation and Liquidation Act (the "Act"), Conn. Gen. Stat. §§ 38a-903 to 38a-961 and more particularly Conn. Gen. Stat. 38a-914(1). The consent of the board of directors of HealthyCT to the entry of this Order of Rehabilitation is attached hereto as Exhibit A.

2. Sufficient cause exists for the rehabilitation of HealthyCT pursuant to the Act. Accordingly, HealthyCT is placed in rehabilitation under the Act, and as of 3:25 o'clock ~~AM~~ PM of this 1st day of November, 2016, HealthyCT shall in its existing form cease all operations and "HealthyCT, Inc. in Rehabilitation" shall continue as successor of HealthyCT, consistent with the terms of this and all subsequent Orders of this Court. The title of this case shall hereafter be "In the matter of HealthyCT, Inc." but the case number shall remain the same.

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3. The Commissioner and her successors in office (collectively, the “Rehabilitator”) are hereby appointed Rehabilitator of HealthyCT and are vested, in addition to the powers and authority set forth in this Order, with all powers and authority expressed or implied under the Act.

4. Pursuant to Conn. Gen. Stat. § 38a-915(a), the Rehabilitator is granted and directed to take forthwith possession and control of and title to the assets and property of HealthyCT and to administer them under the general supervision of the Court. The filing or recording of this Order with the Clerk of the Superior Court or with the recorder of deeds of the judicial district in which the principal business of HealthyCT is conducted or in which HealthyCT’s principal office or place of business is located, shall impart the same notice as a deed, bill of sale or other evidence of title duly filed or recorded with the recorder of deeds would have imparted. Title to all assets and property of HealthyCT, wherever located, is vested by operation of law in the Rehabilitator.

5. The Rehabilitator shall have all the powers and duties set forth in Conn. Gen. Stat. § 38a-916, including, without limitation, the authority to appoint one or more special deputies who shall have all of the powers and responsibilities of the Rehabilitator under said section, and the Rehabilitator may employ such counsel, consultants, clerks, and assistants as deemed necessary. The compensation of any such special deputies, counsel, consultant, clerks or assistants and all expenses of taking possession of HealthyCT and of conducting the proceedings and activities under the Act shall be fixed by the Rehabilitator, with the approval of the Court, and shall be paid out of the funds or assets of HealthyCT.

6. The Rehabilitator may take such actions as she deems necessary or appropriate to reform, revitalize, rehabilitate or run-off HealthyCT, or if the Receiver determines that further efforts to rehabilitate HealthyCT would substantially increase the risk of loss to creditors, policyholders or the public, or would be futile, he may apply to this Court for an Order of Liquidation pursuant to Conn. Gen. Stat. § 38a-918. The Rehabilitator shall have all the powers of the directors, officers and managers, whose authority shall be suspended, except as they are redelegated by the Rehabilitator. The Rehabilitator shall have full power to direct and manage, to hire and discharge employees subject to any contract rights they may have and to deal with the property and business of HealthyCT. Pursuant to Conn. Gen. Stat. § 38a-916(f), the Rehabilitator may exercise any of the powers under Conn. Gen. Stat. § 38a-923, as necessary or appropriate.

7. Subject to applicable law, upon the entry of this Order all pre-rehabilitation employment contracts of HealthyCT's officers, managers, and employees are terminated. Notwithstanding the termination of their pre-rehabilitation employment contracts, the officers, managers, and employees of HealthyCT shall remain employed as at-will employees until such times as they are notified by the Rehabilitator that they have been discharged. Within her sole discretion, the Rehabilitator may re-contract with any officers, managers, or employees of HealthyCT whose pre-rehabilitation employment contracts are terminated pursuant to this paragraph 7 upon terms agreeable to the parties.

8. The Rehabilitator may, in her discretion, pay expenses incurred in the ordinary course of HealthyCT's business in rehabilitation and may, in her discretion, pay the actual, reasonable and necessary costs of preserving or recovering the assets of HealthyCT and the costs of goods and services provided to HealthyCT's estate. Such costs shall include but not be limited to: (a) reasonable professional fees for accountants, actuaries, attorneys and consultants retained by the Rehabilitator; (b) compensation and other costs related to representatives and employees of HealthyCT; and (c) a reasonable allocation of costs and expenses associated with time spent by Connecticut Insurance Department personnel in connection with the rehabilitation of HealthyCT.

9. In the event that the property of HealthyCT does not contain sufficient cash or liquid assets to defray the costs incurred, the Commissioner may advance costs so incurred out of any appropriation for the maintenance of the Insurance Department. Any amounts so advanced for expenses of administration shall be repaid to the Commissioner for the use of the Insurance Department out of the first available money of HealthyCT.

10. The Rehabilitator shall have the authority to pursue all appropriate legal remedies on behalf of HealthyCT, including without limitation, the powers granted pursuant to Conn. Gen. Stat. §§ 38a-916(f), 38a-928, and 38a-929 to avoid fraudulent transfers, and the powers pursuant to Conn. Gen. Stat. §§ 38a-916(d) with regard to any criminal or tortious conduct or breach of any contractual or fiduciary obligation detrimental to HealthyCT by any officer, manager, agent, producer, employee or other person, or entity.

11. Pursuant to Conn. Gen. Stat. § 38a-916(e), if the Rehabilitator determines that reorganization, consolidation, conversion, reinsurance, merger or other transformation of HealthyCT is appropriate, she shall prepare a plan to effect such changes. Upon application of the Rehabilitator for approval of the plan, and after such notice and hearing as the Court may prescribe, the Court may either approve or disapprove the proposed plan or may modify the plan and approve it as modified.

12. Pursuant to Conn. Gen. Stat. § 38a-918(a), if the Rehabilitator believes that further attempts to rehabilitate HealthyCT would be futile or would substantially increase the risk of loss to creditors, policyholders, or the public, she may petition the Court for an order of liquidation.

13. Except as provided in this paragraph 13, the Rehabilitator shall not pay any creditor claims for goods or services provided prior to the date of this Order until further order of this Court. In order to ensure the continuity of insurance coverage to HealthyCT's policyholders, and to minimize disruptions to HealthyCT's business operations, the Rehabilitator shall pay: (a) all creditor claims for covered goods and services provided to HealthyCT's policyholders/insureds prior to the date of this Order, according to the company's normal claim processing procedures; and (b) all creditor claims for wages of HealthyCT's officers, managers, and employees that were earned but unpaid as of the date of this Order.

14. Pursuant to Conn. Gen. Stat. § 38a-939(a), claims made under pre-rehabilitation employment contracts by HealthyCT's directors, officers, or persons in fact performing similar functions or having similar powers are statutorily limited to the payment of earned but unpaid wages for services they rendered prior to the date of this Order. Accordingly, the provision in paragraph 13 requiring payment of pre-rehabilitation wages does not apply to, and at no time shall the Rehabilitator pay, any claims for severance, post-termination benefits, or other non-wage payments that might otherwise be payable to a HealthyCT director or officer upon the termination of his or her employment contract entered into prior to the date of this Order.

15. Pursuant to Conn. Gen. Stat. § 38a-915(a), the entry of this Order shall not constitute an anticipatory breach of any contracts of HealthyCT nor shall it be grounds for retroactive revocation or retroactive cancellation of any contracts of HealthyCT unless such revocation or cancellation is done by the Rehabilitator pursuant to Conn. Gen. Stat. § 38a-916. Except for employment contracts terminated under paragraph 7 of this Order, and pursuant to Conn. Gen. Stat. § 38a-907(a)(1)(K), during the pendency of this rehabilitation, all persons or entities other than HealthyCT policyholders that have contractual or other relationships with HealthyCT as of the date of this Order are hereby ENJOINED AND RESTRAINED from terminating existing contracts or relationships on the basis of the entry of this Order or HealthyCT's financial condition. This injunction against terminating existing contracts or relationships applies, without limitation, to any contracts or relationships between HealthyCT and health care providers, provider networks, third party administrators, financial reporting vendors, and utilization review vendors.

Notwithstanding the foregoing, the Rehabilitator shall review the necessity of any contracts subject to this paragraph 15 during the pendency of this rehabilitation and, upon determining that any such contract is unnecessary to HealthyCT's rehabilitation, the Rehabilitator is authorized to terminate the contract either in accordance with the contract's notice and other applicable provisions or under such varying terms and conditions as the Rehabilitator deems necessary and appropriate.

16. All officers, managers, directors, trustees, owners, employees or agents of HealthyCT, or any other persons with authority over or in charge of any segment of HealthyCT's affairs, including, but not limited to, banks, savings and loan associations, financial or lending institutions, brokers, stock or mutual associations, shall, in accordance with Conn. Gen. Stat. § 38a-908, fully cooperate with the Rehabilitator in the performance of her duties. The definition of "to cooperate" shall include, but not be limited to, a duty to do the following:

- (a) Reply promptly to any inquiry from the Rehabilitator, including a written reply when requested;
- (b) Provide the Rehabilitator with immediate, full and complete possession, control, access to, and use of all books, accounts, documents, and other records, information, or property of or pertaining to HealthyCT in his, her or its possession, custody, or control as may be necessary to enable the Rehabilitator to operate the business and to maintain the continuity of insurance coverage for all policyholders;

- (c) Provide the Rehabilitator with full and complete access to and control of all assets, documents, data, computer systems, security systems, buildings, leaseholds, and property of or pertaining to HealthyCT; and
- (d) Disclose verbally or in writing, in the transmission requested by the Rehabilitator, the exact whereabouts of such items and information referenced in paragraphs (b) and (c) above, if not in possession, custody or control of the officers, directors, trustees, employees or agents of HealthyCT, or any other person, firm, association, partnership, corporation or other entity in charge of any aspect of HealthyCT's affairs.

In addition, pursuant to Conn. Gen. Stat. § 38a-908(b), no person shall obstruct or interfere with the Rehabilitator in the conduct of this rehabilitation proceeding.

17. All officers, managers, directors, trustees, owners, employees, attorneys, agents, creditors, and policyholders of HealthyCT and all other persons or entities of any nature are hereby ENJOINED AND RESTRAINED, pursuant to Conn. Gen. Stat. § 38a-907, from:

- (a) the transaction of further business of HealthyCT unless so authorized by the Rehabilitator;
- (b) transferring, selling, concealing, terminating, canceling, destroying, disposing or assigning any assets, funds or other property of any nature of HealthyCT;
- (c) any interference, in any manner, with the Rehabilitator in her possession of or title to the property and assets of HealthyCT or in the discharge of her duties as Rehabilitator;

- (d) any waste of HealthyCT's assets or property;
- (e) dissipation and transfer of bank accounts and negotiable instruments;
- (f) the institution or further prosecution of any actions or proceedings in which HealthyCT is a party;
- (g) the obtaining of preferences, judgments, attachments, garnishments or liens against HealthyCT, its assets, or its policyholders;
- (h) the levying of execution against HealthyCT, its assets, or its policyholders;
- (i) the making of any sale or deed for nonpayment of taxes or assessments that would lessen the value of the assets of HealthyCT;
- (j) the withholding from the Rehabilitator or her designees of books, accounts, documents, or other records relating to the business of HealthyCT; or
- (k) any other threatened or contemplated action that might lessen the value of HealthyCT's assets or prejudice the rights of policyholders/insureds, creditors, or shareholders, or the administration of the receivership proceeding.

18. All persons who have in their possession, custody or control, assets, documents, data, accounts, moneys, books, records, information, or property of or pertaining to HealthyCT, shall immediately:

- (a) provide the Rehabilitator with notice that such assets, documents, data, accounts, moneys, books, records, information, or property are in his, her, or its possession, custody, or control, together with a description of

the assets, documents, data, accounts, moneys, books, records, information, or property in his, her, or its possession, custody, or control;

- (b) tender possession, custody, and control of such assets, documents, data, accounts, moneys, books, records, information or property to the Rehabilitator; and
- (c) take all necessary steps to safeguard, preserve, and retain the assets, documents, data, accounts, moneys, books, records, information, or property.

19. Pursuant to Conn. Gen. Stat. 38a-907(a)(G) and (K), all non-contracted and contracted health care providers are hereby specifically ENJOINED AND RESTRAINED from pursuing collection against, obtaining judgments against, and/or balance billing of HealthyCT's policyholders, insureds, or members for health care goods provided or services rendered prior to the date of this Order. All non-contracted and contracted health care providers that provided such goods or rendered such services prior to the date of this Order shall seek payment solely from HealthyCT as a HealthyCT creditor. The foregoing prohibition does not apply to any applicable co-payments, deductibles, cost sharing, or fees for health care goods or services that are not covered by and remain the policyholder's, insured's, or member's responsibility under his or her HealthyCT insurance policy.

20. All creditor claims against HealthyCT are within the exclusive jurisdiction of this Court and will be determined, resolved, paid, and/or discharged, in whole or in part, according to the terms and conditions approved by the Court.

21. Any and all claims by creditors against HealthyCT must be raised or asserted within the rehabilitation proceeding before this Court and are subject to this Court's orders regarding the submission and determination of claims.

22. At the appropriate time and if necessary, the Rehabilitator shall develop a method for submission, evaluation, and resolution of any unpaid creditor claims for goods and services provided to HealthyCT prior to the date of this Order.

23. Any bank, savings and loan association, other financial institution, including any other entity or person, which has on deposit or in its possession, custody or control any funds, accounts and any other assets of HealthyCT shall immediately transfer title, custody and control of all such funds, accounts or assets to the Rehabilitator and is instructed that the Rehabilitator has absolute control over such funds, accounts and other assets, and that the Rehabilitator may change the name of such accounts and other assets, withdraw them from such bank, savings and loan association or other financial institution, or take any lesser action necessary for the proper conduct of the receivership.

24. No bank, savings and loan association, reinsurer, other financial institution, or any other person or entity shall exercise any form of set-off, alleged set-off, lien, or any form of self-help whatsoever or refuse to transfer any funds or assets to the Rehabilitator's control without the permission of this Court.

25. All insurance agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of HealthyCT shall account for all earned premiums and commissions and shall account for and pay all premiums and commissions unearned due to policies canceled in the normal course of business, directly to the Rehabilitator at the offices of HealthyCT within 30 days of this Order, or the date of receipt, whichever is later, or appear before this Court to show good cause as to why they should not be required to account to the Rehabilitator. No insurance agent, broker or other person shall use premium monies owed to HealthyCT for refund of unearned premiums or for any purpose other than payment to the Rehabilitator.

26. The provisions of Conn. Gen. Stat. § 38a-917 concerning legal actions in which HealthyCT is a party or obligated to defend shall apply to these proceedings, including a stay of the action or proceeding, upon request by the Rehabilitator, for ninety days and such additional time as is necessary for the Rehabilitator to obtain proper representation and prepare for further proceedings.

27. Any person who violates an injunction issued in this matter shall be liable to the Rehabilitator, the policyholder/insured, or both, for the reasonable costs and attorney fees incurred in enforcing the injunction or any court orders related thereto and any reasonably foreseeable damages.

28. Pursuant to Conn. Gen. Stat. § 38a-915(b), if HealthyCT remains in rehabilitation, the Rehabilitator shall make an accounting to the Court of HealthyCT's financial condition and progress toward rehabilitation on or before ~~May~~^{TBD}_____, 2017, and thereafter at six-month intervals. Each accounting shall also include a report concerning the Rehabilitator's opinion as to the likelihood that a plan, as discussed in paragraph 11, above, will be prepared by the Rehabilitator and the timetable for doing so.

29. This Court shall retain jurisdiction over this matter for all purposes necessary to effectuate and enforce this Order. The Rehabilitator may at any time make further application for any such further relief, including, without limitation, any restraining order, preliminary or permanent injunctions, and other orders as he deems necessary.

30. A copy of this Order of Rehabilitation shall be served forthwith upon HealthyCT.

APPROVED AND SO ORDERED this 15th day of November, 2016.

(Robama, J) 11/1/16

Judge
A. B. Lewicki, Jr.

A Hearing is ordered on 11/14/16 at 9.30 am at
95 Washington St., Hartford, CT.