

1 **Lewis Roca Rothgerber Christie LLP**

201 East Washington Street, Suite 1200
Phoenix, Arizona 85004-2595

3 **Joel A. Glover** (CO Bar No. 20821) (admitted *pro hac vice*)
Direct Dial: 303.628.9553
Direct Fax: 303.623.9222
Email: jglover@lrce.com

4 **Justin J. Henderson** (State Bar No. 026930)
Direct Dial: 602.262.5738
Direct Fax: 602.734.3937
E-mail: jhenderson@lrce.com

6 *Attorneys for Receiver*

8 SUPERIOR COURT OF ARIZONA

9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*
11 LESLIE R. HESS, Interim Director
of Insurance,

12 Plaintiff,

13 vs.

14 COMPASS COOPERATIVE MUTUAL
HEALTH NETWORK, INC., dba
15 MERITUS MUTUAL HEALTH
PARTNERS, an Arizona corporation; and
16 COMPASS COOPERATIVE HEALTH
PLAN, INC., dba MERITUS HEALTH
17 PARTNERS, an Arizona corporation,

18 Defendants.

No. CV2016-011872

PETITION NO. 5

**PETITION FOR ORDER
REGARDING PROPOSAL TO
DISTRIBUTE ASSETS, EARLY
ACCESS AGREEMENT AND
SERVICE AGREEMENT
RELATED SOLELY TO MERITUS
MUTUAL HEALTH PARTNERS**

(Assigned to The Honorable
Daniel Martin)

20 Leslie R. Hess, Interim Director of Insurance for the State of Arizona, as Receiver
21 (hereinafter "Receiver") of Compass Cooperative Mutual Health Network, Inc. doing
22 business as Meritus Mutual Health Partners ("Meritus Mutual"), appointed pursuant to
23 A.R.S. § 20-611, *et seq.*, hereby petitions the Court for entry of an Order Regarding
24 Proposal to Distribute Assets, Early Access Agreement and Service Agreement Related
25 Solely to Meritus Mutual Health Partners (the "Petition").¹ The Receiver requests that

26 _____
¹ The relief sought in this Petition does not relate to Compass Cooperative Health Plan, Inc., dba Meritus Health Partners.

1 the Court enter the Order Regarding Proposal to Distribute Assets, Early Access
2 Agreement and Service Agreement in the form lodged concurrently herewith for the
3 reasons set forth herein.

4 **Background**

5 1. On August 10, 2016, this Court entered its Order for Appointment of Receiver and
6 Injunction placing Meritus Mutual under an order of liquidation with a finding of
7 insolvency.

8 2. Meritus Mutual is a “member insurer” of the Arizona Life and Disability
9 Insurance Guaranty Association (the “Association”) and has become an “insolvent
10 insurer” as those terms are defined in A.R.S. § 20-681. Accordingly, the Association has
11 become authorized to provide continuing coverage related to Meritus Mutual’s insurance
12 policies subject to, and in accordance with, the Association’s enabling act, A.R.S. § 20-
13 681*et seq.*, and specifically with respect to A.R.S. § 20-685(B).

14 3. Additionally, under A.R.S. § 20-647, with Meritus Mutual subject to a final
15 determination of insolvency by this Court, the Receiver may make application for
16 approval of a proposal to distribute assets out of Meritus Mutual’s marshaled assets, from
17 time to time as such assets become available, to the Association (referred to as “Early
18 Access Distributions”). Pursuant to A.R.S. § 20-647(B), such proposal shall at least
19 include the following provisions:

- 20 a. Reserving amounts for the payment of claims of secured creditors and
- 21 claims accorded a higher priority pursuant to § 20-629.
- 22 b. Distribution of assets marshaled to date and subsequent distribution of
- 23 assets as such assets become available.
- 24 c. Equitable allocation of disbursements to each of the funds.²

25
26

² Because Meritus Mutual was licensed only in Arizona, no guaranty funds from any other states are affected and the Association is the only guaranty fund that will be providing coverage and receiving disbursements.

1 d. The securing by the Receiver from each of the funds entitled to distribution
2 pursuant to this section of an agreement to return to the Receiver such assets previously
3 distributed as may be required to pay claims of secured creditors and claims accorded a
4 higher priority pursuant to section 20-629. No bond shall be required of any such fund.

5 e. A full report to be made by the funds to the Receiver accounting for all
6 assets distributed to the fund, all disbursements made, any interest earned by the funds
7 from such assets and any other matter as the court may direct.

8 **Proposed Service Agreement and Early Access Agreement**

9 4. In order to facilitate implementation of these statutory provisions, the Receiver is
10 proposing to enter into two agreements with the Association, subject to this Court's
11 approval.

12 5. Attached as **Exhibit A** is a proposed Early Access Agreement between the
13 Receiver on behalf of Meritus Mutual and the Association the terms of which have been
14 agreed to by the Receiver and the Association.

15 a. The Early Access Agreement provides that no liquid assets are available to
16 make Early Access Distributions at this time and includes a commitment to meet within
17 six months after the Receivership Order Date to consider whether or to what extent
18 sufficient assets may be available to make Early Access Distributions.

19 b. While no Early Access Distributions are currently contemplated because
20 there are no available assets (*see, e.g.*, A.R.S. § 20-647(C)), this Petition and the Early
21 Access Agreement nevertheless satisfy the requirements of A.R.S. § 20-647 and is
22 intended to serve as a vehicle to make Early Access Distributions in the future to the
23 extent appropriate under the circumstances.

24 i. The proposal reserves amounts for payment of claims of secured
25 creditors and claims accorded a higher priority since no payments are currently
26 contemplated. *See* A.R.S. § 20-647(B)(1) and Early Access Agreement ¶ 2.3.

1 ii. The proposal includes the possibility of subsequent distribution
2 of assets as such assets become available. *See* A.R.S. § 20-647(B)(2) and Early Access
3 Agreement ¶ 2.3.

4 iii. The Association is the only guaranty fund triggered so there is no
5 concern about an equitable allocation of disbursements to multiple guaranty funds. *See*
6 A.R.S. § 20-647(B)(3).

7 iv. The Early Access Agreement includes an agreement by the
8 Association to return to the Receiver assets previously distributed as may be required to
9 pay claims of secured creditors and claims accorded a higher priority. *See* A.R.S. § 20-
10 647(B)(4) and Early Access Agreement ¶ 3.1.

11 v. The Early Access Agreement includes a requirement that the
12 Association make a full report to the Receiver accounting for all assets distributed to the
13 Association, all disbursements made, any interest earned by the Association from such
14 assets, and any other matters as the Court may direct. *See* A.R.S. § 20-647(B)(5) and
15 Early Access Agreement ¶ 5.1.

16 6. Attached as **Exhibit B** is a proposed Administrative Service Agreement (“Service
17 Agreement”) between the Receiver on behalf of Meritus Mutual and the Association, the
18 terms of which have been agreed to by the Receiver and the Association. The Service
19 Agreement would be effective as of the date of the Receivership Order, August 10, 2016,
20 which is the date that Meritus Mutual became an insolvent insurer.

21 a. Under the Agreement, Meritus Mutual, in Receivership, would provide all
22 administrative services associated with the Association’s covered obligations which may
23 arise in connection with the insurance policies issued by Meritus Mutual.

24 b. In exchange, the Association would pay administrative fees to Meritus
25 Mutual. Under the Services Agreement, there would be an initial fee of \$13,000 per
26 month for the first six to nine months. Within six months after the Effective Date, the

1 Receiver and the Association would meet and confer regarding two matters: (1)
2 determination of an updated monthly fee based on the anticipated scope of services; (2)
3 consideration of whether Early Access Distributions could be available for such monthly
4 fee.

5 c. Claims due under policies would be paid either by Meritus Mutual with
6 funding provided by the Association or directly by the Association, in the Association's
7 discretion.

8 WHEREFORE, the Receiver requests that the Court enter, in the form lodged
9 concurrently with this Petition, the Order Regarding Proposal to Distribute Assets, Early
10 Access Agreement and Service Agreement Related Solely to Meritus Mutual Health
11 Partners and:

- 12 (1) Approving the Early Access Agreement;
13 (2) Approving the Service Agreement;
14 (3) Authorizing the Receiver to enter into such agreements and to take steps
15 necessary and appropriate to implement such agreements.

16
17 Dated this 31st day of October, 2016.

18 LEWIS ROCA ROTHGERBER CHRISTIE LLP

19 By: /s/ Justin J. Henderson (#026930)

20 Joel A. Glover
21 Justin J. Henderson
22 *Attorneys for Receiver*
23
24
25
26

1 COPY of the foregoing mailed this
2 31st day of October, 2016 to the
3 attached Master Service List

4
5 /s/ Marie H. Mancino
6 MARIE H. MANCINO

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

1 SUPERIOR COURT OF ARIZONA
2 COUNTY OF MARICOPA

3 No. CV2016-011872 (Assigned to The Honorable Daniel Martin)
4

5 MASTER SERVICE LIST
6

7 Leslie R. Hess, Receiver
8 Interim Director, Arizona Department of Insurance
2910 North 44th Street, Suite 210
9 Phoenix, Arizona 85018-7269

10 Lynette Evans, Assistant Attorney General
11 Liane Kido, Assistant Attorney General
Office of the Attorney General
12 1275 West Washington Street
13 Phoenix, Arizona 85007
Attorneys for Arizona Department of Insurance

14 Richard G. Erickson
15 Robert F. Kethcart
16 Snell & Wilmer L.L.P.
One Arizona Center
17 400 East Van Buren
18 Phoenix, Arizona 85004
Attorneys for Defendants

19 Richard J. Voth, Sr.
20 Post Office Box 3970
21 Pinetop, Arizona 85935

22 Larry Aldrich, Executive Chairman
23 Employers Health Alliance of Arizona
7520 East McLellan Lane
24 Scottsdale, Arizona 85250
25
26

1 Christophe Burusco
2 Sidley Austin LLP
3 555 W. 5th Street, 40th Floor
4 Los Angeles, CA 90013
5 Phone: (213) 896-6112
6 Fax: (213) 896-6600
7 Email: cburusco@sidley.com
8 *Attorneys for Care1st Health Plan*
9 *Administrative Services, Inc.*

7 Matthew A. Clemente
8 Sidley Austin LLP
9 One South Dearborn
10 Chicago, IL 60603
11 Phone: (312) 853-7539
12 Fax: (312) 853-7036
13 Email: mclemente@sidley.com
14 *Attorneys for Care1st Health Plan*
15 *Administrative Services, Inc.*

13 Michael Surguine
14 Executive Director
15 Arizona Life & Disability Insurance Guaranty Fund
16 2910 North 44th Street, Suite 201 (2nd Floor)
17 Phoenix, AZ 85018-7269

17 Darren Ellingson
18 Special Deputy Receiver
19 Raintree Corporate Center I
20 15333 North Pima Road, Suite 305
21 Scottsdale, AZ 85260

21 Banner Health Patient Financial Services
22 Attn: Anna Rosalez, Manager
23 525 W. Brown Road, Third Floor
24 Mesa, AZ 85201

24 S. David Childers
25 Kutak Rock LLP
26 8601 North Scottsdale Road, Suite 300
Scottsdale, AZ 85253-2738

EXHIBIT A

EARLY ACCESS AGREEMENT

This Early Access Agreement is entered into effective as of the 10th day of August, 2016, by and between the Arizona Life and Disability Insurance Guaranty Association (“Association”), and the Deputy Director of Insurance for the State of Arizona, in her capacity as Receiver of Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners (“Meritus Mutual”).

RECITALS

A. Compass Cooperative Mutual Health Network, Inc., doing business as Meritus Mutual Health Partners, (“Meritus Mutual”) is an Arizona nonprofit corporation that was issued an Arizona certificate of authority to transact disability insurance business on May 28, 2013.

B. Meritus Mutual was placed into Receivership under an Order for Appointment of Receiver and Injunction in the Superior Court for the State of Arizona in and for the County of Maricopa, No. CV 2016-0011872 (the “Receivership Order”) which placed Meritus Mutual under an Order of Liquidation with a finding of insolvency.

C. As a result of the Receivership Order and subject to statutory conditions and limitations, Association has statutory obligations to provide coverage for health policies issued to policyholders or certificate holders who resided in Arizona.

D. The Receiver and Association believe that this Agreement and its terms are necessary and appropriate to carry out the provisions of the Receivership Order and A.R.S. § 20-647 to allow for payment of Early Access Distributions and to ensure the proper return of Early Access Disbursements if necessary to recognize the priority to be accorded all creditors of Meritus Mutual under A.R.S. § 20-629.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement and intending to be legally bound, the Parties agree as follows:

1. Definitions. As used in this Early Access Agreement, the following terms have the meanings set forth below:
 - 1.1. Agreement. Agreement means this Early Access Agreement.
 - 1.2. Association. Association means the Arizona Life and Disability Insurance Guaranty Association.
 - 1.3. Association Priority Claims. Association Priority Claims means claims of the Arizona life and disability insurance guaranty fund including claims for expenses and general administrative costs and expenses that are class 2 claims under A.R.S. § 20-629.

- 1.4. Covered Obligations. Covered Obligations means the obligations of Association, pursuant to its governing law and subject to statutory conditions and limitations, which may arise in connection with Policies of Meritus Mutual as a result of the Receivership Order.
 - 1.5. Early Access Distributions. Early Access Distributions means distributions made by the Receiver, pursuant to A.R.S. § 20-647 and subject to the terms and provisions of this Agreement, to or on behalf of Association with respect to its Covered Obligations which the Receiver reasonably anticipates will qualify as Association Priority Claims.
 - 1.6. Effective Date. Effective Date means August 10, 2016.
 - 1.7. Meritus Mutual. Meritus Mutual means Compass Cooperative Mutual Health Network, Inc., doing business as Meritus Mutual Health Partners, in Receivership.
 - 1.8. Parties. Parties means Association and the Receiver.
 - 1.9. Policies. Policies means all health insurance policies and certificates issued by Meritus Mutual for which Association has Covered Obligations.
 - 1.10. Priority of Distribution. Priority of Distribution means the statutory priority to be accorded creditors and claims in the distribution of Meritus Mutual assets under A.R.S. § 20-629.
 - 1.11. Proposal to Disburse Assets. Proposal to Disburse Assets means the Receiver's proposal to make Early Access Distributions in accordance with the Receivership Order and A.R.S. § 20-629.
 - 1.12. Receiver. Receiver means the Interim Director of Insurance for the State of Arizona, in her capacity as Receiver of Meritus Mutual.
 - 1.13. Receivership Court. Receivership Court means the Superior Court for the State of Arizona in and for the County of Maricopa with jurisdiction over the Meritus Mutual Receivership, Case No. CV 2016-0011872.
 - 1.14. Receivership Order. Receivership Order means the Order for Appointment of Receiver and Injunction entered by Receivership Court dated August 10, 2016 placing Meritus Mutual into Receivership and under an Order of Liquidation with a finding of insolvency.
 - 1.15. Receivership Order Date. Receivership Order Date means August 10, 2016, the date on which the Receivership Order was entered.
2. Duties of the Receiver.
- 2.1. The Receiver will file (or has filed) with the Receivership Court a Proposal to Distribute Assets under A.R.S. § 20-629 on a pro rata basis and shall distribute

assets on such basis as soon as reasonably practicable to the extent assets are available. The Receiver will make Early Access Distributions in amounts and intervals as determined in accordance with A.R.S. § 20-629.

- 2.2. Subject to Article 4, Association will be entitled to receive Early Access Distributions from Meritus Mutual, as recommended by the Receiver and approved by the Receivership Court after the filing of a Proposal to Distribute Assets.
- 2.3. Receiver has notified Association that Meritus Mutual does not currently appear to have sufficient liquid assets to permit any Early Access Distributions at this time. Within six months after the Receivership Order Date, Receiver and Association shall meet and confer in good faith regarding whether or to what extent sufficient assets may be available to make any Early Access Distributions.

3. Duties of Association.

- 3.1. Association will return to the Receiver, within thirty (30) days after the receipt of a written demand from the Receiver (or within ninety (90) days if an assessment is required), any Early Access Distributions, or portions thereof, made to Association (together with income actually earned by Association on such assets) as may be required to pay claims of secured creditors and claims of a higher or equal priority level pursuant to the priorities as established under A.R.S. § 20-629. No bond shall be required of Association.
- 3.2. In addition to the accounting and reports required herein, Association will respond in good faith to reasonable requests for information from the Receiver concerning the receipt and disbursement of all assets transferred under this Agreement, and any interest earned on such assets.

4. Claims

- 4.1. Association will file a proof of claim setting forth claims of Association against Meritus Mutual. The proof of claim information may be updated by Association on at least an annual basis. The Receiver shall calculate and pay, as applicable, Early Access Distributions in accordance with the provisions of this Agreement based on the Association proof of claim and subsequent updates.
- 4.2. Association agrees to provide a reasonable amount of non-privileged documentation in support of its claims as requested by the Receiver. Providing such reasonable documentation shall include allowing the Receiver, upon request, to examine Association's relevant records applicable to Meritus Mutual as such records may be reasonable and necessary to determine claims against the estate. The results of any examination will be shared with Association in order to permit it to respond thereto as necessary or appropriate, and the examination and its results shall be subject to any confidentiality agreement that Association may reasonably require.

5. Access to Records and Information.

- 5.1. Association shall make a full report to the Receiver accounting for all assets distributed to the fund, all disbursements made, any interest earned by the funds from such assets and any other matter as the Court may direct.
- 5.2. Receiver will provide Association with reasonable access, during normal business hours, to the books, records and files of Meritus Mutual under the control of Receiver which are reasonably related to Policies giving rise to Covered Obligations or to this Early Access Agreement and will respond affirmatively and in good faith to all reasonable requests from Association for information, files and documents pertaining to the adjudication, administration and payment of Covered Obligations or the distribution or use of Early Access Distributions pursuant to this Agreement.
- 5.3. Association will provide the Liquidator with reasonable access, during normal business hours, to the books, records and files of Association which are reasonably related to Policies giving rise to Covered Obligations or to this Early Access Agreement and will respond affirmatively and in good faith to all reasonable requests from Receiver for information, files and documents pertaining to the adjudication, administration and payment of Covered Obligations or the distribution or use of Early Access Distributions pursuant to this Agreement.
- 5.4. On at least an annual basis, the Receiver shall provide to Association an unaudited balance sheet and an income statement of Meritus Mutual, which shall disclose the Receiver's best estimate of the nature and amount of all remaining assets, the nature and amount of all known liabilities, a classification of these liabilities by Priority of Distribution, and the nature and amount of all income and disbursements for the period in question.

6. Review of Records. The Receiver shall, prior to and in connection with the final distribution of assets of the Meritus Mutual receivership, be authorized to review the financial accounts and records of Association with respect to receipt of assets and Early Access Distributions, and with respect to the payment or discharge of Covered Obligations.

7. Notice.

- 7.1. Any notice required or permitted under the terms of this Agreement to be given to the parties shall be deemed given if provided in writing and (i) if actually received by the intended recipient by facsimile or hand delivery or (ii) if posted by prepaid first class mail, or (iii) if consigned to and received by a commercial delivery service and addressed as follows:

If to Association, to:

Michael Surguine, Executive Director
Arizona Life & Disability Insurance Guaranty Association
2910 North 44th Street, Suite 210
Phoenix, AZ 85018
msurguine@azinsurance.gov

If to Receiver, to:

Leslie Hess, Receiver
Interim Director of Insurance, Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, AZ 85018
lhess@azinsurance.gov

- 7.2. Each Party shall be responsible for notifying the others promptly of any change of address or addressee which change shall become effective upon notice given in accordance with the terms of this Section 7.
8. Merger and Choice of Law.
- 8.1. This Agreement shall be construed in accordance with the laws of Arizona. In the event of any dispute between Receiver and Association over (i) the legal obligations of the parties to each other under this Agreement or (ii) the construction of any term or provision of this Agreement, the parties hereby consent to the personal and subject matter jurisdiction of the Receivership Court for the limited purpose of adjudicating said issues. This consent shall not extend to matters other than those expressly referenced in the previous sentence.
9. Termination. This Agreement may be terminated by Association by giving written notice in accordance with Article 7 to the Receiver, and by returning to the Receiver all assets, together with income earned thereon, previously advanced to Association by the Receiver under this Agreement.
10. Amendment and Waiver. This Agreement may not be amended or modified except by a written instrument signed by authorized representatives of each of the parties hereto. Any waiver of or failure to require adherence to any provision of this Agreement in any instance or series of instances by any party hereto shall not constitute a waiver of such provision in any other instance or constitute a modification of this Agreement.
11. Counterparts. This Agreement may be executed in separate counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

- 12. No Third Party Beneficiaries. This Agreement creates no third party beneficiaries and shall not create any rights or benefits that may be enforced by any persons not party to this Agreement.
- 13. Interpretation of Ambiguities. The parties agree that the rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.
- 14. Exhibits. The Exhibits referenced in and attached to this Agreement are incorporated herein by reference as if set forth at length in the text of this Agreement.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement on the date noted below.

Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners, In Receivership, by and through its Receiver

By: _____

Name: _____

Title: _____

Date: _____

Arizona Life and Disability Insurance Guaranty Association

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT B

ADMINISTRATIVE SERVICE AGREEMENT

By and among

Compass Cooperative Mutual Health Network, Inc. doing business as
Meritus Mutual Health Partners,

In Receivership

And

The Arizona Life and Disability Insurance Guaranty Association

CONTENTS

RECITALS

AGREEMENTS

1. Definitions
2. Retention of Administrator as Servicing Agent; Services Provided by Administrator
3. Third Party Contracts
4. Administrative Fees
5. Payment of Covered Obligation Benefits
6. Duties of Association
7. Records
8. Independent Contractor
9. Insurance
10. Term and Termination
11. Miscellaneous

EXHIBITS

- | | |
|-------------|---------------------------|
| Exhibit 3.1 | Third Party Contracts |
| Exhibit 4.1 | Administrative Fees |
| Exhibit 6.1 | Guaranty Association Laws |

ADMINISTRATIVE SERVICE AGREEMENT

THIS ADMINISTRATIVE SERVICE AGREEMENT is between and among Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners, In Receivership (“Administrator”) and Arizona Life and Disability Insurance Guaranty Association (the “Association”).

RECITALS

A. Compass Cooperative Mutual Health Network, Inc., doing business as Meritus Mutual Health Partners, (“Meritus Mutual”) is an Arizona nonprofit corporation that was issued an Arizona certificate of authority to transact disability insurance business on May 28, 2013.

B. Meritus Mutual was placed into Receivership under an Order for Appointment of Receiver and Injunction in the Superior Court for the State of Arizona in and for the County of Maricopa, No. CV 2016-0011872 (the “Receivership Order”) which placed Meritus Mutual under an Order of Liquidation with a finding of insolvency.

C. Association and the policy, contract and certificate holders, insureds and beneficiaries of Meritus Mutual to whom Association has or may have obligations will benefit by having the policies, contracts, certificates and related claims subject to this Agreement administered by Administrator in a consistent and professional manner.

D. Administrator is willing and able to provide the services specified in this Agreement to Association and to continue the administration of benefits utilizing the assets of Meritus Mutual under the supervision and direction of the Receiver.

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, the Parties agree as follows:

1. Definitions. The following terms have the meanings set forth below:
 - 1.1. Agreement. Agreement means this Administrative Service Agreement by and between Administrator and Association.
 - 1.2. Administrative Fees. Administrative Fees means the fees stated and allocated in Exhibit 4.1.
 - 1.3. Association. Association means the Arizona Life and Disability Insurance Guaranty Association.
 - 1.4. Covered Obligations. Covered Obligations means the obligations of Association, pursuant to its governing law and subject to statutory conditions and limitations, which may arise in connection with Policies of Meritus Mutual as a result of the Receivership Order.

- 1.5. Disputed Claims. Disputed Claims means any claims under Policies that have been processed and/or adjudicated and with respect to which there is a dispute regarding the benefits to be paid or any other matters. Some examples (without limitation) of potential disputes that would cause a claim to be a Disputed Claim include disputes regarding: the amount of benefits; the payee; the sufficiency of the documentation supporting the claim; application and/or interpretation of the terms and provision of the Policy; application and/or interpretation of Association's enabling statutes; and the like. Any claim which is the subject of litigation, arbitration or other dispute resolution process is a Disputed Claim.
 - 1.6. Effective Date. The Effective Date for this Agreement shall be August 10, 2016, the date on which Meritus Mutual was placed under the Receivership Order.
 - 1.7. Meritus Mutual. Meritus Mutual means Compass Cooperative Mutual Health Network, Inc., doing business as Meritus Mutual Health Partners, in Receivership.
 - 1.8. Parties. Parties means the Administrator and Association.
 - 1.9. Policies. Policies means accident, health, disability and dental insurance policies and certificates issued by Meritus Mutual for which Association has Covered Obligations after entry of the Receivership Order and includes all policies and certificates for which Administrator was performing services at the time the Receivership Order was entered.
 - 1.10. Receivership Order. Receivership Order means the Order for Appointment of Receiver and Injunction in the Superior Court for the State of Arizona in and for the County of Maricopa, No. CV 2016-0011872 which placed Meritus Mutual under an Order of Liquidation with a finding of insolvency.
 - 1.11. Services. Services means the policy services, claim services, disputed claim services and other services to be provided by Administrator.
2. Retention of Administrator as Servicing Agent; Services Provided by Administrator.
- 2.1. Retention of Administrator. Association retains Administrator as its servicing agent to provide Services to Association with respect to the Covered Obligations that Association has in connection with the Policies and Administrator agrees to render the Services, subject to this Agreement.
 - 2.2. Administration. Administrator will administer all Policies and process all claims in accordance with this Agreement, the terms of the underlying Policies, and the provisions of any applicable state law, including applicable insurance receivership law, insurance guaranty association law and any other applicable law.

- 2.3. Reports and Covered Obligations. Association shall work with the Administrator to determine the reports needed by Association. To the extent that reports and/or information not readily available from existing systems are needed by Association, Administrator shall work with Association to develop such reports, so long as the associated burden of preparing such reports are reasonable under the circumstances. Reports that are not readily available using Administrator's existing systems may be requested by Association, with additional reasonable costs to be paid by Association. Any determination of Covered Obligations remains within the sole discretion of Association subject to its enabling statute. Association will communicate with Administrator regarding the determination of Covered Obligations.
- 2.4. Notices. Administrator will provide notices to policyholders, contract holders, certificate holders, insureds and other claimants, as appropriate and as reasonably directed by Association regarding Association's coverage and applicable limitations and such other matters as Association may reasonably request. The content of such notices shall be developed and approved by Association before any such notice is sent. After approval, expenses for postage, time and materials will be paid by Association as provided for in Exhibit 4.1.
- 2.5. Claims Audit. Association may engage, at its own expense, in periodic reviews and/or audits of the Services with the frequency of such reviews to be determined by Association. Administrator will reasonably cooperate with and follow policy claim audit, oversight and reporting procedures, as designated by Association's designee from time to time, with respect to the Services provided per this Agreement. All claims with an adjudicated payment over \$10,000 will be reviewed prior to payment. Presently, Association anticipates conducting a random audit of 3% of the claims prior to payment.
- 2.6. Forms for Documentation of Claims. Administrator will provide Association with copies of all forms being utilized for the documentation of claims under Policies, including but not limited to medical forms. If Association requires the use of different or additional forms or other claims documentation, Association shall provide copies of such forms. Administrator will continue to use the forms it currently utilizes until and unless replacement forms are provided.
- 2.7. Claims Payment and Reporting. Administrator will review, evaluate, investigate, and process for payment, for further negotiation, or for denial, claims, submitted under the Policies with respect to the Covered Obligations of Association. As part of this process, Administrator shall deliver to Association statements of the processed claims. The reporting shall be delivered at periodic intervals that are appropriate under the circumstances. . To the extent Association seeks a different reporting process, the Administrator agrees to negotiate in good faith with Association to develop

and document a different process that is reasonable. The funding for approved claims shall be provided by Association in accordance with Section 5 hereof.

- 2.8. Disputed Claims and Joint and Common Interest Agreement. To the extent that there are Disputed Claims, Administrator will notify Association as soon as reasonably possible of the Disputed Claims. Administrator will provide support for the investigation, negotiation and potential resolution of such Disputed Claims. Without the prior written consent of Association, Administrator is not authorized to negotiate with third persons regarding the resolution of Disputed Claims that may give rise to Covered Obligations without at least one person designated by Association to attend and participate in such negotiations. The Parties recognize that the Parties have a joint and common interest to the widest extent authorized under the law with respect to all Services provided under this Agreement, including the handling of Disputed Claims.
- 2.9. Coordination of Benefits and Subrogation. Administrator shall review coordination of benefits and subrogation provisions, if any, and investigate the applicability of such provisions to claims under the Policies. Administrator shall further: (1) identify all claims eligible for subrogation, and undertake reasonable efforts to pursue subrogation recoveries (including but not limited to the issuance of demand letters); and (2) coordinate benefits payable under the Policies with other benefit plans or coverage, if any, according to the coordination of benefits provisions in the Policies.
- 2.10. Explanation of Benefits. Consistent with the current practices of Meritus Mutual and Administrator, Administrator will follow reasonable industry practices and comply with all applicable laws in the issuance of Explanation of Benefits. Administrator will include any information reasonably requested by Association.
- 2.11. Payments Approaching Statutory Limits. Administrator shall use reasonable efforts to advise Association, at the same time that claims reports under Section 2.7 are submitted, of any insureds whose total claims for payments equal or exceed fifty percent (50%) of the applicable statutory limit on benefits in Arizona, as set forth in Exhibit 6.1.
- 2.12. IRS Form 1099. Administrator will prepare and file all IRS Form 1099 required by law to be issued as a result of this Agreement.
- 2.13. Complaint Log. Administrator shall maintain a complaint log consistent with its regular business practice in that regard and subject to reasonable input and modification from Association and will provide a copy of the complaint log to Association on a monthly basis.

- 2.14. Privacy and Security Policies. In providing Services under this Agreement, Administrator shall comply in all respects with Association's Privacy and Security Policies and Procedures. Administrator acknowledges that it has received and reviewed the Privacy and Security Policies and Procedures and that it is familiar with and understands the terms and provisions thereof. Upon request of the Association: Administrator shall execute and deliver to Association a Business Association Addendum in a mutually agreed form; and Administrator shall further certify its compliance with the Privacy and Security Policies and Procedures. The provisions of this Section 2.14 providing for maintaining the privacy and security of certain information are not subject to termination, and such obligations remain in full force and effect notwithstanding termination of any other obligations under this Agreement.
- 2.15. Files – Adequacy of Information. In providing Services hereunder, Administrator will review existing and available policy and claim files for adequacy and completeness as claims are processed. Where Administrator identifies potentially inadequate or incomplete files, Administrator will notify Association and work with to address such inadequate or incomplete files under the circumstances. Further if the Administrator is unable to obtain information sufficient to allow or deny a claim, Administrator will notify Association and provide a written summary of the claim and identification of the missing information. Association will provide the Administrator with Association's determination of the action to be taken.
- 2.16. Access to Policy Information. Administrator will make available to Association all information in the Administrator's possession, including but not limited to, the books, records and files received from Meritus Mutual, the Receiver or created by Administrator related in any way to Policies giving rise to Covered Obligations on a reasonable basis, including but not limited to all related electronic documents. After the Effective Date, all documents that the Administrator creates or receives related to the Policies shall be maintained as electronic documents to the greatest extent possible. Administrator will respond promptly and in good faith to all reasonable requests from Association for information, files and documents pertaining to Covered Obligations. Such information to be provided by Administrator includes but is not limited to (and subject to availability) Policies, policy files, medical forms, personal health information, any form of electronic data and any other information related to the consideration and provision of benefits under Policies giving rise to Covered Obligations.
- 2.17. Internal Controls. Administrator will, upon request, disclose and describe to Association the types of internal controls that are currently present and will be maintained by Administrator in providing Services related to Covered Obligations during the term of this Agreement. Administrator will reasonably cooperate with Association to implement new control procedures

so long as such procedures are reasonable and do not have an overall impact on related costs and expenses.

2.18. Service Level Standards. Administrator shall provide the Services under this Agreement consistent with industry standards under similar circumstances. Among other things, such standards shall include: processing and adjudicating claims timely and efficiently upon receipt; reporting such claims timely and accurately to Association; obtaining completed medical forms and necessary legal releases for claimants' medical records; responding to requests from policyholders and Association timely and efficiently; and maintaining a high level of accuracy.

2.19. Standard of Care. Administrator and Association shall perform their respective obligations under this Agreement in good faith, using reasonable care and professional judgment.

2.21. Uncashed or Returned Checks. Administrator will establish procedures to assure that returned funds (e.g., claim refunds, undeliverable or uncashed checks) received by Administrator are properly credited or returned to Association.

3. Third Party Contracts.

3.1. Existing Third Party Contracts. Administrator has identified third party contracts that will be utilized in the administration of the Policies in Exhibit 3.1. To the extent additional third party contracts are identified, Exhibit 3.1 shall be supplemented to include such contracts.

3.2. Future Third Party Contracts – Notice and Approval. Before utilizing any other third party contracts in the administration of Policies, Administrator shall provide written notice of such contract, include a complete copy of such contract to Association. Such third party contract shall not be utilized in the administration of the Policies until after Association has provided written approval thereof.

4. Administrative Fees.

4.1. The Administrative Fees will be calculated in accordance with Exhibit 4.1. Invoices prepared in accordance with Exhibit 4.1 will be prepared by Administrator and sent to Association on a monthly basis for payment.

5. Payment of Covered Obligation Benefits.

5.1. Benefit payments for Covered Obligations will be paid as set forth in this subsection 5.1.

5.2. On a periodic basis as agreed by Administrator and Association that is reasonable under the circumstances, Administrator will deliver to

Association via a secure electronic delivery method claims that have been processed and are ready for funding (“Funding Information”).

- 5.3. In Association’s discretion, Association may either: (1) make direct payment for the claims with such payment information reported to Administrator; or (2) arrange for transfer of the funds to Administrator within approximately one week to ten days after receipt of the Funding Information for Administrator to use to pay claims. Under this second option, Administrator will hold all funds received from Association for payment of Covered Obligation benefits in a separate, non-comingled account for the benefit of Association.
- 5.4. Association may develop one or more pre-funded accounts to ensure that certain benefits are available for payment of Covered Obligations.
- 5.5. With respect to Disputed Claims, Association reserves all rights and authority to address and resolve such Disputed Claims in its sole discretion. Notwithstanding any other provisions of this Agreement, Association may pay directly any claims under Covered Obligations, particularly Disputed Claims, and will provide notice of such payments, if any, to Administrator.

6. Duties of Association.

- 6.1. Guaranty Laws. Association shall provide to Administrator such information as may be necessary for Administrator to comply with the requirements of the laws governing Association, including, without limitation, the conditions and limits on coverage, as set forth in attached Exhibit 6.1, which may be revised from time to time by Association by sending written notice to Administrator, and any requirements of notice to policy, contract or certificate holders or insureds. Administrator shall make available the information provided by Association to all persons who need such information to provide the Services contemplated by this Agreement, including specifically any third party providing administrative services hereunder, and shall assist Association in ensuring that all such persons comply with those requirements. Neither Administrator nor any third party providing services hereunder shall have any authority to bind Association regarding the interpretation of the laws governing Association. Administrator will rely on the information provided by Association as being the complete information necessary for the Administrator to perform the Services. Administrator will notify Association if it reasonably believes any information is incomplete for purposes of providing Services hereunder.
- 6.2. Coverage and Benefit Decisions. Association is responsible for and shall make the final decisions with regard to Covered Obligations, Policies, the determination of benefits, coverage questions, claims payment procedures, and the like.

7. Records.

- 7.1. Maintenance of Records. Administrator will maintain policy files, claims information, and any other information and/or records obtained, assembled, produced or maintained pursuant to the provisions of this Agreement in a reasonable manner and form in accordance with prudent standards of insurance record keepers, allocated and organized to facilitate review by Association. Administrator shall maintain records of its activities sufficient to inform Association of the Services performed by Administrator under this Agreement, as well as any costs, fees or expenses incurred in accordance with the terms of this Agreement. Administrator shall maintain all records in accordance with the privacy and security policies as referenced in Section 2.14 hereof.
- 7.2. Disposition of Records. All records and information concerning the Covered Obligations as obtained, assembled and maintained by Administrator under this Agreement shall be the property of Association and shall be kept current by Administrator. Administrator shall maintain all such records and information in accordance with the document retention procedures mutually agreed upon by the Parties and in accordance with applicable state and federal laws. Upon notice of termination of this Agreement, all such records and information shall be delivered to Association or its designee, consistent with instructions to be provided by Association, although it is acknowledged and agreed that Administrator may retain copies thereof. Any records and information not delivered by Administrator to Association upon termination shall be maintained by Administrator for seven (7) years following termination of this Agreement or for such shorter period if the Meritus Mutual receivership terminates sooner than seven (7) years.
- 7.3. Disaster Recovery Plans. Administrator shall maintain throughout the terms of this Agreement current disaster recovery, business resumption, and contingency plans generally consistent with such plans as maintained by Meritus Mutual before receivership. Upon request, Administrator shall provide to Association copies of such plans, if available, and information related thereto.
- 7.4. Confidentiality. All records and information obtained from or on behalf of Association, including but not limited to financial, medical and demographic information pertaining to individuals, are confidential business records belonging to Association ("Confidential Information"). All databases maintained by Administrator on behalf of Association also constitute Confidential Information belonging to Association. Confidential Information shall not be used for any purpose other than for the purposes which are the subject of this Agreement with Administrator, and shall not be disclosed to any third party, except at the written direction of Association or as may be required by law or a court of competent jurisdiction. Administrator agrees to hold all Confidential Information in the strictest confidence and to employ

reasonable measures to prevent the unauthorized use, disclosure, reproduction or distribution thereof. In the event of any effort by any person or entity to compel the disclosure of Confidential Information by subpoena or any other form of request, Administrator shall immediately notify Association of the requested disclosure, so as to afford Association the opportunity to seek appropriate protections.

7.5 Inspection and Audit. Association or its designated agents may inspect, copy and audit all records and any other information obtained, assembled, maintained or produced by or for Administrator, pertaining to the performance of any of the Services under this Agreement (including any claims or financial audits or reviews) and the expenses incurred in the performance of the Services, at the locations of such records during normal business hours and upon reasonable notice.

8. Independent Contractor.

8.1. The Parties hereto agree that, in performing Services hereunder, Administrator shall be an independent contractor and not an employee of Association. This Agreement shall not be construed as creating a partnership or joint venture, and no party hereto shall be liable for any obligations incurred by any other party except as expressly provided herein.

8.2. Administrator agrees to make any payments or withholding required for federal income tax, social security, federal and state self-employment taxes, state unemployment tax and any related statutes or regulations with respect to the Services performed pursuant to this Agreement.

8.3. Administrator is not authorized to accept and shall not accept service of process on behalf of or for Association. Association is not authorized to and shall not accept service of process on behalf of or for Administrator.

9. Insurance. Administrator shall maintain insurance coverage including:

9.1. Administrator shall provide proof of applicable insurance coverages that are in force at the time this Agreement is executed.

9.2. Where appropriate under the circumstances, the policies or certificates shall identify Association as an additional named insured with the right to 30 days prior written notice of termination or material changes in coverage. Administrator shall notify Association immediately in writing if coverage is or will be lapsing.

10. Term and Termination.

10.1. The term of this Agreement shall be one (1) year and this Agreement shall commence on the Effective Date and shall terminate on the first business

date one (1) year after the Effective Date unless the Agreement is extended by agreement of the Parties or terminated in accordance with this Section 10.

10.2. For Cause With Notice. This Agreement may be terminated for cause by any Party as follows: The complaining party (“Complaining Party”) (except for a financial breach as set forth below) shall give the other party (the “Non Complaining Party”) a written notice (the “Notice”) which specifically sets forth the grounds of the complaint. The Parties shall make an attempt to resolve the issue by good faith communication and negotiation. If within sixty (60) days (the “Sixty (60) Day Period”) from the date of the Notice the matter is not resolved to the Complaining Party’s satisfaction, the Parties shall jointly select a certified mediator who shall attempt to resolve the matter. The mediation shall take place within sixty (60) days from the end of the Sixty (60) Day Period. If, after the mediation, there is still no resolution, and, the Complaining Party believes it has grounds to terminate this Agreement for cause, the Complaining Party shall send a Notice of Termination to the Non Complaining Party, and this Agreement shall be terminated as soon as practicable thereafter. Notwithstanding the above, all Parties reserve and expressly do not waive all rights to pursue any and all claims, legal and equitable, in any way related to a breach or other cause of action associated with this Agreement after the mediation efforts have been completed and no limitations period will expire during the mediation period contemplated herein.

10.3. For Cause With No Notice. This Agreement may be terminated immediately by any Party upon written notice if the Non-Terminating Party has had a change in control, management or ownership that results in a change of a majority of the personnel handling the Services hereunder.

10.4. Upon notice of termination of this Agreement, the Administrator shall:

(a) Make reasonably available to Association all records and information related to the Policies and Covered Obligations in Administrator’s custody or control.

(b) Reasonably cooperate with Association and any successor administrator in the orderly transition of the administrative functions and policy and claim records (including computer files).

10.5. All provisions of this Agreement providing for the protection of privacy and/or security of certain information are not subject to termination and such obligations remain in full force and effect notwithstanding termination.

11. Miscellaneous.

11.1. Standard of Care. Administrator and Association shall perform their respective obligations under this Agreement in good faith using reasonable care and professional judgment. No party to this Agreement makes any

warranty or representation as to the accuracy of the information that is contained in the records obtained from Meritus Mutual or provided by insureds, dependents, providers, hospitals or any other insurance carriers. Nevertheless, Administrator shall use reasonable care in relying on such information.

- 11.2. Administrator Warranties and Receivership Court Approval. As of and after the Effective Date, Administrator represents and warrants all action needed to enter into this Agreement and fulfill its terms have been approved and ratified, subject to approval of the Receivership Court.
- 11.3. Assignment and Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective personal representatives, successors and assigns. Administrator may not assign its obligations to provide Services hereunder without express written consent from Association
- 11.4. Choice of Law. This Agreement shall be construed in accordance with the laws of the State of Arizona
- 11.5. Forum. The sole and exclusive forum for the resolution of any disputes and/or disagreements regarding any aspect of this Agreement shall be the Superior Court for the State of Arizona in and for the County of Maricopa, No. CV 2016-0011872
- 11.6. Notice. Any notice required or permitted to be given hereunder shall be deemed to be given if delivered by hand or if mailed by certified mail, postage prepaid, or by postal or a commercial express document delivery service which issues an individual delivery receipt, to the following address:

If to Association, to:

Michael Surguine, Executive Director
Arizona Life & Disability Insurance Guaranty Association
2910 North 44th Street, Suite 210
Phoenix, AZ 85018
msurguine@azinsurance.gov

If to Administrator, to:

Leslie Hess, Receiver
Interim Director of Insurance, Arizona Department of Insurance
2910 North 44th Street, Suite 210
Phoenix, AZ 85018
lhess@azinsurance.gov

Each Party shall be responsible for notifying each other party hereto promptly of any change in addressee or address.

12.5 Mutual Duty of Cooperation. Administrator and Association shall cooperate with each other in a reasonable manner in all matters necessary to ensure the implementation of this Agreement.

12.6 No Waiver and No Third Party Beneficiaries. Nothing in this Agreement is intended, nor shall be construed: (1) to waive, release or otherwise restrict any statutory duties and obligations of the Parties to this Agreement; or (2) to create a right to enforce this Agreement by or on behalf of any person who is not a party to this Agreement. Specifically, there are no third party beneficiaries.

12.7 Counterparts. This Agreement may be executed in separate counterparts each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.8 Exhibits. The Exhibits referenced in and attached to this Agreement are incorporated herein by reference as if set forth at length in the text of this Service Agreement.

12.9 OFAC. Administrator agrees to provide reasonable cooperation and assistance to Association to facilitate the implementation of all procedures necessary to maintain compliance with: (i) the USA Patriot Act (P.L. 107-56) and regulations thereunder, (ii) all legal requirements of the U.S. Treasury Department's Office of Foreign Assets Controls (OFAC) programs as set forth in the applicable statutes, Executive Orders and implementing regulations found in Title 31, Chapter V of the Code of Federal Regulation and in the Federal Register documents that update the regulations, and (iii) all other federal or state anti-terrorism or anti-money laundering laws or regulations that are now or may hereafter become applicable. Administrator shall provide reasonable cooperation and assistance to facilitate checking the OFAC list to determine if any person that is an owner, insured, beneficiary, or payee or payor (including payor of premiums) under any of the Policies is included on the OFAC list of terrorists, narcotics traffickers or other prohibited parties. Administrator will not make any payments or enter into any financial transactions prohibited by any such laws. Administrator shall provide reasonable cooperation and assistance to Association to ensure that notification is made to Association of any name, "match" or "hit" with respect to any persons found to be on the OFAC list within 48 hours of determining any "match" or "hit" on the OFAC list. Association shall provide Administrator with the information on whom to contact if there is a "match" or "hit" in connection with an OFAC search so that OFAC can be notified, account blocking may be initiated, and appropriate blocking forms can be filed with OFAC within 10 days of the "hit" or "match," in each case as required by law. Administrator will provide Association with copies of any OFAC reports submitted by Administrator.

12.10 Federal Insurance Antifraud Laws. To the best of Administrator's knowledge, all of its employees, agents or representatives providing Services to Association under this Agreement are in compliance, and will continue to maintain compliance at all times during the term of this Agreement, with the Federal Insurance Antifraud Statute codified at 18 U.S.C. § 1033, and with all applicable state antifraud laws. Administrator further certifies that it will not knowingly allow any individual who has been convicted of a felony, or any of the offenses enumerated under 18 U.S.C. § 1033, to be involved in the provision of Services under this Agreement, and that it has performed background checks on its employees, agents or representatives performing Services for Association in order to confirm compliance herewith.

12.11 Privacy Laws. Administrator shall maintain and safeguard the confidentiality of all personal data and information regarding the owners, beneficiaries and assignees of the Policies subject to this Agreement, and all other confidential information obtained by Administrator in the course of providing Services under this Agreement, consistent with all applicable state and federal privacy laws, regulations and bulletins. Administrator further warrants and represents that it will maintain compliance with all such privacy laws or regulations that are now or may hereafter become effective in those states in which the owners, beneficiaries and assignees of the Policies reside.

12.12 Medicare, Medicaid and SCCHIP Extension Act of 2007. Administrator acknowledges that Section 111 of the Medicare, Medicaid and SCCHIP Extension Act of 2007 is in effect, and, to the extent applicable, agrees to provide reasonable cooperation and assistance to Association to facilitate compliance with such requirements.

12.13 Other Laws. The Parties shall, as to their respective duties and obligations under this Agreement, comply with all existing and applicable laws, rules and regulations. Should any new law, rule or regulation hereafter be enacted or imposed which applies to this Agreement, all Parties shall meet to review the requirements of such law, rule or regulation and the parties shall confer, in good faith, as to the impact, if any, on this Agreement and the manner in which to comply with any requirements thereunder.

12.14. SSAE 16 Audit. Administrator will arrange for an internal control review by its outside auditor that complies with Statement on Standards for Attestation Engagements ("SSAE") 16 and will make review or other relevant information available to Association upon request.

12.15 Merger and Amendment. This Agreement, including all Exhibits hereto, constitutes the entire agreement and merges and supersedes all prior oral or written agreements of the parties hereto. This Agreement may not be amended or modified except by a written instrument signed by authorized representatives of each of the Parties.

IN WITNESS WHEREOF, the Parties have caused their duly authorized representatives to execute this Service Agreement on the date noted below.

Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual Health Partners, In Receivership ("Administrator")

By: _____

Name: _____

Title: _____

Date: _____

Arizona Life and Disability Insurance Guaranty Association

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT 3.1 THIRD PARTY CONTRACTS

<<List Third Party Contracts>>

EXHIBIT 4.1

ADMINISTRATIVE FEES

The Administrative Fees will be calculated and allocated as follows:

- **Monthly Fee.**
 - The initial Monthly Fee shall be \$13,000 per month for the first six to nine months after the Effective Date and until the Parties agree in writing on an updated Monthly Fee.
 - Within six months after the Effective Date, the Parties shall meet and confer in good faith regarding (i) an updated Monthly Fee based on the anticipated scope of Services to be provided hereunder at that time; and (ii) whether or to what extent Early Access Distributions could be available for such Monthly Fee.
- **All Inclusive.** The Administrative Fees are all inclusive (turnkey) for full administration, and cover all costs, expenses, expenditures, fees, and the like, associated with the Services provided under the Agreement, with the exception of other special projects or unique requests outside the scope of the Agreement, with respect to which additional costs may apply. Administrator must receive prior written approval for any Administrative Fees in addition to those specifically referenced herein.
- **Payment of Monthly Fee.** On a monthly basis, Administrator shall send Association an invoice with the Monthly Fee. Subject to and in accordance with the terms and provisions of this Agreement, the Association shall pay such invoice within fifteen (15) days after receipt.

EXHIBIT 6.1 GUARANTY ASSOCIATION LAWS

This exhibit is intended to provide guidance and direction to Administrator in providing Services. It is not intended to and does not bind or otherwise limit Association, although Administrator is entitled to rely upon the information set forth herein in rendering its Services under the Agreement. Application and determination of coverage limits remains within the sole discretion of Association. Association may amend, modify or update this exhibit as necessary at any time by giving written notice to Administrator, and Administrator shall have a reasonable period after receipt of any such written amendment in order to incorporate such changes into its software and other systems that are used to render Services under the Agreement.

Limits for Health Insurance Based on Type in Arizona:

- \$500,000 limit for basic hospital, medical, surgical and major medical health insurance;
- \$300,000 limit for long term care insurance
- \$300,000 limit for disability insurance
- \$100,000 limit for all other forms of health insurance

1 **Lewis Roca Rothgerber Christie LLP**

201 East Washington Street, Suite 1200
Phoenix, Arizona 85004-2595

3 Joel A. Glover (CO Bar No. 20821) (admitted *pro hac vice*)
Direct Dial: 303.628.9553
Direct Fax: 303.623.9222
Email: jglover@lrre.com

4 Justin J. Henderson (State Bar No. 026930)
Direct Dial: 602.262.5738
Direct Fax: 602.734.3937
E-mail: jhenderson@lrre.com

6 *Attorneys for Receiver*

7
8 SUPERIOR COURT OF ARIZONA

9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*
11 LESLIE R. HESS, Interim Director
of Insurance,

12 Plaintiff,

13 vs.

14 COMPASS COOPERATIVE MUTUAL
HEALTH NETWORK, INC., dba
15 MERITUS MUTUAL HEALTH
PARTNERS, an Arizona corporation; and
16 COMPASS COOPERATIVE HEALTH
PLAN, INC., dba MERITUS HEALTH
17 PARTNERS, an Arizona corporation,

18 Defendants.

No. CV2016-011872

PETITION NO. 5

**ORDER REGARDING PROPOSAL
TO DISTRIBUTE ASSETS,
EARLY ACCESS AGREEMENT
AND SERVICE AGREEMENT
RELATED SOLELY TO MERITUS
MUTUAL HEALTH PARTNERS**

19
20 Leslie R. Hess, Interim Director of Insurance, as Receiver (hereinafter "Receiver")
21 of Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual
22 Health Partners ("Meritus Mutual"), having filed Petition No. 5 for Order Regarding
23 Proposal to Distribute Assets, Early Access Agreement and Service Agreement Related
24 Solely to Meritus Mutual Health Partners and it appearing that those recommendations
25 are reasonable, just, and calculated to afford the fair and equitable treatment of all
26 persons interested in this proceeding ("Receivership Proceeding");

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

THE COURT FINDS:

1. The Early Access Agreement between the Receiver on behalf of Meritus Mutual and the Association satisfies all of the requirements of A.R.S. § 20-647.

IT IS ORDERED:

2. The Early Access Agreement is approved.

3. While no Early Access Distributions are currently contemplated because there are no available assets, the Receiver may utilize the procedures set forth in the Early Access Agreement to make Early Access Distributions in the future.

4. The Administrative Service Agreement between the Receiver on behalf of Meritus Mutual and the Association is approved, effective as of the date of the Receivership Order, August 10, 2016.

5. The Receiver is authorized to enter into such agreements and to take steps necessary and appropriate to implement the Early Access Agreement and the Administrative Service Agreement.

ENTERED this ____ day of _____, 2016

The Honorable Daniel Martin
Maricopa County Superior Court Judge

Mancino, Marie

From: TurboCourt Customer Service <CustomerService@TurboCourt.com>
Sent: Monday, October 31, 2016 11:45 AM
To: Mancino, Marie; azturbocourt@lrcc.com
Subject: AZTurboCourt E-Filing Courtesy Notification

PLEASE DO NOT REPLY TO THIS EMAIL.

A party in this case requested that you receive an AZTurboCourt Courtesy Notification.

AZTurboCourt Form Set #1983610 has been DELIVERED to Maricopa County.

You will be notified when these documents have been processed by the court.

Here are the filing details:

Case Number: CV2016-011872 (Note: If this filing is for case initiation, you will receive a separate notification when the case # is assigned.)

Case Title: State Of Arizona, Et.Al. Vs. Compass Cooperative M

Filed By: Justin J Henderson

AZTurboCourt Form Set: #1983610

Keyword/Matter #: 302377-00001

Delivery Date and Time: Oct 31, 2016 11:45 AM MST

Forms:

Summary Sheet (This summary sheet will not be filed with the court. This sheet is for your personal records only.)

Attached Documents:

Petition: PETITION NO 5 PETITION FOR ORDER REGARDING PROPOSAL TO DISTRIBUTE ASSETS.
EARLY ACCESS AGREEMENT AND SERVICE AGREEMENT RELATED SOLELY TO MERITUS
MUTUAL HEALTH PARTNERS

Exhibit/Attachment (Supporting): EXHIBIT A EARLY ACCESS AGREEMENT

Exhibit/Attachment (Supporting): EXHIBIT B ADMINISTRATIVE SERVICE AGREEMENT

Proposed Order/Judgment (Supporting): Petition No 5 Order Regarding Proposal to Distribute Assets, etc.