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**Lewis Roca Rothgerber Christie LLP**

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

Joel A. Glover (CO Bar No. 20821) (admitted *pro hac vice*)  
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*Attorneys for Receiver*

SUPERIOR COURT OF ARIZONA

COUNTY OF MARICOPA

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

Plaintiff,

vs.

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

Defendants.

No. CV2016-011872

**PETITION NO. 11**

**REQUEST FOR APPROVAL OF  
RATES FOR ACCOUNTING  
SERVICES**

(Assigned to The Honorable  
Daniel Martin)

Leslie R. Hess, Interim Director of Insurance, as Receiver (hereinafter "Receiver")  
of Compass Cooperative Mutual Health Network, Inc. doing business as Meritus Mutual  
Health Partners ("Meritus Mutual") and Compass Cooperative Health Plan, Inc. dba  
Meritus Health Partners ("MHP"), appointed pursuant to A.R.S. § 20-611, *et seq.*, hereby  
petitions the Court for approval of rates for accounting services for the reasons set forth  
herein.

...

1           1. Pursuant to A.R.S. § 20-623.01(A), the Receiver “may appoint one or more  
2 special deputy receivers to act for the receiver and may employ, as the receiver deems  
3 necessary, counsel, clerks and assistants.”

4           a. Accordingly, the Receiver has engaged Regulatory Services Group  
5 (“RSG”) to assist with the development of liquidation basis financial statements,  
6 including the review and preparation of financial statements, trial balances, Proofs of  
7 Claim and related financial information and transactions (collectively referred to as  
8 “Accounting Services”). A copy of the Letter of Engagement is attached hereto as  
9 **Exhibit A.**

10           b. RSG is highly qualified to provide Accounting Services to the Receiver.  
11 Information regarding RSG’s experience in providing Accounting Services to  
12 receiverships is included on pages 3-6 of **Exhibit A.** As noted therein, RSG provides  
13 comprehensive services for target examinations, supervisions, conservations,  
14 receiverships, rehabilitations and liquidations. RSG’s staff has vast experience managing  
15 delinquent insurance companies, along with rehabilitation and liquidation personnel and  
16 other professionals that are experienced in working with insurance regulators and  
17 guaranty funds.

18           2. The rates negotiated by the Receiver are set forth in the attached Letter of  
19 Engagement. RSG’s rates are competitive and reasonable under the circumstances for  
20 experienced insurance receivership professionals.

21           3. Pursuant to A.R.S. § 20-623.01(A), the Receiver requests that the Court  
22 approve the compensation fixed by the Receiver as set forth in the attached Exhibit A.

23           4. Subject to the Court’s approval, the Receiver “shall use the funds or assets  
24 of the insurer to pay the compensation and expenses” in accordance with A.R.S. § 20-  
25 623.01(A).

26

1 a. After RSG's itemized statements for services rendered to the Receivership  
2 and costs incurred or expended on behalf of the Receivership have been submitted to and  
3 approved by the Receiver or Deputy Receiver, such reviewed and approved statements  
4 shall be paid by the Receiver.

5 b. The Receiver shall include payments to RSG in the periodic filings of the  
6 Petition to Accept Status Report.

7 WHEREFORE, the Receiver request that the Court enter, in the form lodged  
8 concurrently with this Petition, the order:

9 1. Approving the compensation fixed by the Receiver for the engagement of  
10 RSG as set forth in the engagement agreement attached hereto as Exhibit A;

11 2. Approving the Receiver's use of the funds or assets of Meritus Mutual and  
12 MHP, respectively, to pay the compensation and expenses of RSG after RSG's itemized  
13 statements of services rendered to the Receivership and costs incurred or expended on  
14 behalf of the Receivership have been submitted to and approved by the Receiver or  
15 Deputy Receiver, such reviewed and approved statements shall be paid by the Receiver;  
16 and

17 3. The Receiver shall include payments to RSG in the periodic filings of the  
18 Petition to Accept Status Report.

19  
20 Dated this 1st day of May, 2017.

21 LEWIS ROCA ROTHGERBER CHRISTIE LLP

22  
23 By: /s/ Justin J. Henderson (#026930)  
24 Joel A. Glover  
25 Justin J. Henderson  
26 *Attorneys for Receiver*

1 COPY of the foregoing mailed this  
2 1st day of May, 2017 to the  
3 attached Master Service List  
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5 /s/ Marie H. Mancino  
6 MARIE H. MANCINO  
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201 East Washington Street, Suite 1200  
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**Lewis Roca**  
**ROTHGERBER CHRISTIE**

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**Lewis Roca**  
**ROTHGERBER CHRISTIE**

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SUPERIOR COURT OF ARIZONA  
COUNTY OF MARICOPA

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

**MASTER SERVICE LIST**

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Interim Director, Arizona Department of Insurance  
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Liane Kido, Assistant Attorney General  
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- 1 Christophe Burusco  
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3 555 West 5th Street, 40th Floor  
4 Los Angeles, California 90013  
5 *Attorneys for Care1st Health Plan Administrative Services, Inc.*
- 6 Matthew A. Clemente  
7 Sidley Austin LLP  
8 One South Dearborn  
9 Chicago, Illinois 60603  
10 *Attorneys for Care1st Health Plan Administrative Services, Inc.*
- 11 Michael Surguine  
12 Executive Director  
13 Arizona Life & Disability Insurance Guaranty Fund  
14 2910 North 44th Street, Suite 201 (2nd Floor)  
15 Phoenix, Arizona 85018-7269
- 16 Darren Ellingson  
17 Special Deputy Receiver  
18 Raintree Corporate Center I  
19 15333 North Pima Road, Suite 305  
20 Scottsdale, Arizona 85260
- 21 Sheri W. Shudde  
22 Deputy Receiver  
23 Arizona Department of Insurance  
24 2910 North 44th Street, Suite 210 (2nd Floor)  
25 Phoenix, Arizona 85018
- 26 Banner Health  
Patient Financial Services  
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Mesa, Arizona 85201
- S. David Childers  
Kutak Rock LLP  
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Scottsdale, Arizona 85253-2738

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Ortencia Solis  
Arrowhead Pediatrics  
Billing Department Insurance Rejections  
17215 North 72nd Drive, Building D Suite 140B  
Glendale Arizona 85308-8599

Debbie Bailey  
Cactus Children's Clinic, PC  
5940 West Union Hills Drive, Suite D100  
Glendale, Arizona 85308

Monica Gaspari  
Billing Office Supervisor  
Pima Heart Physicians  
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Tucson, Arizona 85719

United States Department of Justice  
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Phoenix, Arizona 85004

U.S. Department of Justice  
950 Pennsylvania Avenue, NW  
Washington, DC 20530-0001

United States Attorney General  
U.S. Department of Justice  
950 Pennsylvania Avenue, NW  
Washington, DC 20530-0001

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Baltimore, Maryland 21244

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Miami, Florida 33131  
*Attorneys for HealthSouth Rehabilitation Hospital*

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Parallon  
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*Attorneys for Sarah McMahon*

Susan Sweat  
Ambulance Billing Office Supervisor  
Bullhead City Fire Department  
1260 Hancock Road  
Bullhead City, Arizona 86442



**EXHIBIT A**

---

April 25, 2017

CONFIDENTIAL

David E. Wilson  
CEO  
Regulatory Services Group  
100 Pine Street, 26<sup>th</sup> Floor  
San Francisco, CA 94111

**Re: Letter of Engagement – Retention of Regulatory Services Group to Provide Accounting Services for Meritus Mutual Health Partners, in Liquidation and Meritus Health Partners, in Liquidation (“Meritus”).**

Dear Mr. Wilson:

**SCOPE**

At the direction of the Special Deputy Receiver (“SDR”), Regulatory Services Group (“RSG”) will be acting on behalf of and at the direction of the SDR to provide accounting services and the preparation of financial statements as requested by the SDR. RSG is authorized to retain the services of Joseph B. Holloway, Jr. of INS Consultants, Inc. and to use RSG’s own staff as necessary. It is hereby acknowledged and understood that RSG and those engaged by RSG are not employed by the State of Arizona or the Arizona Department of Insurance (“the Department”).

RSG will consult with and make recommendations to the Receiver on all pertinent decisions involving the project.

**COMPENSATION**

The fees for RSG’s staff are as follows:

<u>Contractor</u>	<u>Hourly Rate</u>
Regulatory Services Group	\$260.00
Joseph B. Holloway	\$175.00

RSG’s and Mr. Holloway’s fees and costs, as well as the fees and costs of the additional personnel, will be billed on a monthly basis. The invoices will show the date that all work was performed and the costs incurred, along with a description of the item. All invoices will be submitted to the SDR for review and approval before being presented to Meritus for payment.

RSG and Mr. Holloway will be reimbursed for all actual expenses including, but not limited to airfare, hotel, car rental, meals, parking and incidentals.

## CONFIDENTIALITY

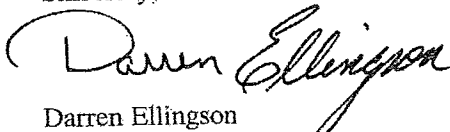
All working papers, recorded information, documents and copies thereof produced, obtained or disclosed in the course of your services shall be confidential. All private and confidential data received during the project and stored electronically that meet the definition of "covered data" as defined in the Health Insurance Portability and Accountability Act, the Health Information Technology for Economic and Clinical Health Act, the Gramm-Leach-Bliley Act and state security breach notification laws, shall be stored in an encrypted format. This requirement applies to all covered data that are stored electronically on computers/laptops, USB thumb drives, servers, external hard drives and any other form of electronic media.

## CONFLICT OF INTEREST

The RSG staff represents and warrants that there are no conflicts of interest of which they are aware that would prevent them from performing the services described herein on behalf of the Receiver. RSG represents and warrants that any potential conflict of interest or appearance of conflict of interest that may arise during or in connection with this Letter of Engagement will be disclosed immediately upon discovery and RSG agrees that such matters shall be resolved to the satisfaction of the Receiver.

This agreement supersedes all prior agreements with respect to the subject matter contained in this agreement. Please indicate agreement of the provisions of this Letter of Engagement by signing below.

Sincerely,



Darren Ellingson  
Special Deputy Insurance Receiver

Regulatory Services Group

By: David E. Wilson  
David E. Wilson  
CEO

Date: 7/25/17

## Conservation and Liquidation Office/Regulatory Services Group

### Organization Information

---

The Conservation and Liquidation Office ("CLO"), on behalf of the Insurance Commissioner, rehabilitates, and/or liquidates, under Court Supervision, troubled insurance enterprises domiciled in the State of California. As a fiduciary for the benefit of all claimants, the CLO handles the property of troubled or failed enterprises in a prudent, cost-effective, fair, timely, and expeditious manner.

The CLO, dba, Regulatory Services Group ("RSG") is the California Commissioner's Conservation and Liquidation Office. It was created administratively by the Commissioner acting pursuant to the power conferred on the Commissioner by California Insurance Code Section 1035(a), which authorizes the Commissioner in any proceeding under Article 14 to "appoint and employ..." CIC 1035(a).

The CLO/RSG is a standalone organization with an oversight board. The organization is staffed with experienced professionals from the industry who specialize in providing special examination, supervision and receivership services to Insurance Commissioners and their staffs. The employees of the organization are non-civil service. In addition to these core services, RSG offers claims, finance, IT and reinsurance services to insurance departments, as well as receivers.

RSG provides comprehensive services for target examinations, supervisions, conservations, receiverships, rehabilitations and liquidations. Our staff has vast experience managing delinquent insurance companies, along with rehabilitation and liquidation personnel and other professionals that are experienced in working with insurance regulators and guaranty funds, providing a variety of services including:

- \* Supervision of Troubled Insurance Companies
- \* Special Examination Services
- \* Receivership Managers and Support Personnel
- \* Accounting Services
- \* Information Technology
- \* Reinsurance
- \* Claims

During 2016 the CLO distributed \$146.3 million, closed 3 estates, managed 4 healthcare companies outside of California, advised the CDI on the Centene/Health Net merger, managed 4 receiverships in Nevada and assisted the CDI with the evaluation of the Tower Group of Companies (10) which resulted in the eventual consolidation of all companies into CastlePoint.

### Organization Results Since 2013

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The CLO has distributed approximately \$3.7 billion to injured policyholders, guaranty associations, and other claimants. The CLO has closed 21 Estates and is scheduled to close an additional 2 Estates in 2017, plus 4 in Nevada.



RSC-Rio

**David E. Wilson**  
**CLO Chief Executive Officer and Special Deputy Insurance Commissioner**  
**RSG Chief Executive Officer**

David Wilson was appointed by the California Insurance Commissioner and confirmed by the California State Senate as Chief Executive Officer and Special Deputy Insurance Commissioner of the Conservation & Liquidation Office (CLO) on March 1, 2005. At the time of assuming his responsibilities at the CLO, the CLO had approximately 30 Estate in various forms of conservation and liquidation, \$4.5 billion of assets under management and approximately \$2 plus billion in various forms of litigation. For the period of January 1, 2005 through December 31, 2016, the CLO has distributed or made early access distributions of approximately \$3.7 billion and has historically incurred administrative expenses of approximately 1% of assets under management. With Board approval, Mr. Wilson established RSG in 2014 to provide specialized services to Insurance Commissioners and their staffs.

Mr. Wilson currently serves as Chair of the NAIC Receivership Financial Analysis Working Group of the Receivership and Insolvency (E) Task Force and participates in numerous other receivership related working groups. Mr. Wilson began his career with Ernst & Young where he was an audit partner directing services to the insurance industry. In 1991, Mr. Wilson established a national consulting firm to provide general consulting, work-out, rehabilitation and liquidation services to the insurance industry, including state insurance departments and the National Organization of Life/Health Guaranty Association.

**Raymond Minehan**  
**CLO/RSG Chief Financial Officer**

Upon his arrival at the CLO in 2005, Mr. Minehan oversaw a complete review of entity level and operating internal controls. Control issues were addressed and subsequently there have been no material or serious control findings by the CLO's outside auditors. As a result of the entity level control review, he recommended and, along with CEO David Wilson and the Insurance Commissioner's staff, established a formal Committee to oversee the operations of the CLO and RSG. This Committee consists of three senior members of the Insurance Commissioner's staff and meets formally three times each year with CLO/RSG management to review CLO/RSG operations and address any current operating issues. He also reorganized the accounting function at the CLO and RSG which resulted in vastly improved estate and internal financial reporting. Mr. Minehan also oversees HR duties at the CLO and RSG.

Prior to joining the CLO/RSG, he held Chief Financial and Administrative positions at two investment banks and prior to that he was a partner at Arthur Andersen & Co. conducting audits of insurance, banking and leasing financial institutions. Mr. Minehan is a CPA and holds a BA degree in Finance from Golden Gate University.



**JOSEPH B. HOLLOWAY, JR., CFE**  
**Consultant to CLO/RSG**

Mr. Holloway has twenty three years of progressive experience in the insurance industry including fifteen years of receivership work (thirteen of which are with the CLO/RSG) and nine years of financial examination experience with the North Carolina Department of Insurance. He has experience in life, property and casualty insurance companies, health care companies, COOPs and self-insured workers' compensation funds.

Mr. Holloway has participated in or managed some of the more complicated CLO/RSG estates and projects over the past thirteen years, including SeeChange Health Insurance Company, WINhealth Partners (WY), Colorado Health Insurance Cooperative (CO) and CastlePoint National Insurance Company.

**John Battle**  
**CLO/RSG Claims Officer**

47 years of continuous claims experience (started as claims adjuster in 1968). Such experience includes 40 years of Claims management experience, 36 at an executive level and 15 years of recent Claims management in a liquidation environment (2000-present). Familiar with all lines of insurance claims and liquidation claims (proficiency in handling insurance claims in a liquidation environment).

Some areas of specific accomplishment include:

- Developed the CLO's process of obtaining Federal Claim Waiver from Department of Justice.
- A significant area of specialty is Workers Compensation. Successfully handled claims, premium calculation and audit, retro administration, large deductible administration, premium collection and subrogation collection in liquidation environment.
- Worked with operating carriers under supervision or rehabilitation to control risk selection and pricing of workers compensation policies in an effort to reduce loss ratio.
- Senior Manager responsible for development of system tying Liquidation Claims Liability Data to General Ledger.
- Senior Workers Compensation Technical Officer at Superior National Insurance (1997-2000); set policy, ultimate reserve and settlement authority for company.
- Technical and Administrative Claims Officer at Zenith National Insurance over a 24 year employment period (1970-1994).



## E&O Insurance Policy

The CLO and RSG has current active E&O insurance policy on file with the insurance carrier ACE American Insurance Company. The policy is effective as of September 29, 2016 to September 29, 2017. The applicable policy limits are identified in the policy details below.

### Limit of Liability (including Claims Expense)

\$10,000,000 Each Claim

\$10,000,000 Aggregate Limit

\$5,000 Disciplinary Proceeding Claims Expenses Aggregate Limit (in addition to the Each Claim and Aggregate Limits set for above)

### Retention

\$100,000 Each Claim



## Sample Past Contracts/Letters of Engagement

The letter of engagement is attached below.





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*)  
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Direct Fax: 303.623.9222  
Email: [jglover@lrrc.com](mailto:jglover@lrrc.com)

4 Justin J. Henderson (State Bar No. 026930)  
Direct Dial: 602.262.5738  
Direct Fax: 602.734.3937  
E-mail: [jhenderson@lrrc.com](mailto:jhenderson@lrrc.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  
15 HEALTH NETWORK, INC., dba  
16 MERITUS MUTUAL HEALTH  
17 PARTNERS, an Arizona corporation; and  
COMPASS COOPERATIVE HEALTH  
PLAN, INC., dba MERITUS HEALTH  
PARTNERS, an Arizona corporation,

18 Defendants.

No. CV2016-011872

**ORDER RE PETITION NO. 11  
APPROVING RATES FOR  
ACCOUNTING SERVICES**

(Assigned to The Honorable  
Daniel Martin)

20 Leslie R. Hess, Interim Director of the Arizona Department of Insurance, as  
21 Receiver of Compass Cooperative Mutual Health Network, Inc. doing business as  
22 Meritus Mutual Health Partners (“Meritus Mutual”) and Compass Cooperative Health  
23 Plan, Inc., dba Meritus Health Partners (“MHP”), having filed Petition No. 11 requesting  
24 approval of rates for Accounting Services and good cause appearing therefor,

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**IT IS ORDERED:**

1. The compensation fixed by the Receiver for the engagement of Regulatory Services Group (“RSG”) as set forth in the engagement agreement attached to Petition No. 11 as Exhibit A is hereby approved.

2. The Receiver’s use of the funds or assets of Meritus Mutual and MHP respectively to pay the compensation and expenses of RSG is hereby approved, subject to the following: After RSG’s itemized statements of services rendered to the Receivership and costs incurred or expended on behalf of the Receivership have been submitted to and approved by the Receiver or Deputy Receiver, such reviewed and approved statements shall be paid by the Receiver.

3. The Receiver shall include payments to RSG in the periodic filings of the Petition to Accept Status Report.

ENTERED this \_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
The Honorable Daniel Martin  
Maricopa County Superior Court Judge

## Payment Details

<b>Filing Type</b>	General Civil - Superior Court
<b>Jurisdiction</b>	Maricopa - Superior Court
<b>Form Set #</b>	2180017
<b>Case #</b>	CV2016-011872
<b>Keyword/Matter #</b>	302377-00001
<b>Submission Name</b>	State Of Arizona, Et.Al. Vs. Compass Cooperative M
<b>Transaction Date</b>	05/01/2017 5:04 PM MST
<b>Transaction #</b>	825526443914364481
<b>Payment Status</b>	Paid
<b>Paid By Credit Card</b>	MasterCard Last 4 digits: 8481
<b>Service</b>	e-File

<b>Provider Fee</b>	\$ 6.50
<b>E-Payment Fee</b>	\$ 0.20
<b>Total</b>	\$ 6.70

[Print Payment Details](#) [Close Window](#)

