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7
8 SUPERIOR COURT OF ARIZONA
9 COUNTY OF MARICOPA

10 STATE OF ARIZONA, *ex rel.*
11 KEITH SCHRAAD, Director
of Insurance,

12 Plaintiff,

13 vs.

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

17 Defendants.
18
19

No. CV2016-011872

PETITION 31

**PETITION FOR ORDER
APPROVING THE
RECEIVERSHIP LIQUIDATION
FUND QUARTERLY
ACCOUNTING REPORTS
FOR THE PERIODS OF APRIL 1,
2016 THROUGH SEPTEMBER 30,
2018 AND RELATED FUNDING**

(Assigned to The Honorable
Daniel Martin)

20 Keith Schraad, Director of the Arizona Department of Insurance (“ADOI”) in his
21 capacity as Receiver, and Darren Ellingson, in his capacity as the Special Deputy Receiver
22 (collectively “Receiver”) of Meritus Mutual Health Partners, in liquidation (“Meritus
23 Mutual”) and of Meritus Health Partners, in liquidation (“MHP”), pursuant to A.R.S. § 20-
24 648(D), files herewith the Receivership Liquidation Fund (“RLF”) Quarterly Accounting
25 Reports for the periods of April 1, 2016 to September 30, 2018, as set forth in Exhibit A and
26 seeks approval of related funding.

27 1. Section 20-648, A.R.S., established the RLF in order to create a source of
28 funds to pay for the common administrative costs of the receiverships in Arizona.

1 Specifically, costs funded under the RLF “may include the compensation of special deputies,
2 clerks or assistants but shall not include attorney fees.”

3 2. Currently there are four receiverships contributing funds to the RLF, including
4 Meritus Mutual, MHP, PMI Mortgage Insurance Co., and Reliance Insurance Company.
5 Initially, each receivership is required to contribute ten percent (10%) of the insolvent
6 insurer’s deposit to the fund. A.R.S. § 2-648(b). In this case, an original deposit in the
7 amount of \$50,828.94 with respect to Meritus Mutual and an original deposit in the amount
8 of \$50,828.94 with respect to MHP were each deposited into the RLF as provided for in
9 Petition No. 4, Petition for Order Regarding Receivership Liquidation Fund Per A.R.S. § 20-
10 648 filed on October 7, 2016 and the Order approving Petition 4 entered on October 20,
11 2016. At the time, there was an existing balance in the RLF due to funding contributions
12 made from the other two receiverships.

13 3. The requirement to contribute funds to the RLF is ongoing. If the common
14 administrative expenses exceed the available funds, then additional amounts may be
15 deposited in the RLF, subject to Court approval. A.R.S. § 20-648. At the same time, if upon
16 termination of an insolvency there is a balance, then such balance shall be remitted. A.R.S.
17 § 20-648(D).

18 4. Attached as Exhibit A is a series of quarterly reports listing the expenditures of
19 the RLF and demonstrating that additional contributions are required from each open
20 insolvency. As reported in Exhibit A, at the time the deposits from Meritus Mutual and MHP
21 were made, the balance of the RLF increased to \$216,793. As of September 30, 2018, the
22 RLF balance had diminished to \$79,247.44 and additional contributions are necessary.
23 Because of certain administrative changes, the report’s format has been revised and the quarterly
24 reporting is brought forward to the current available reporting quarter while addressing each of the
four open receiverships.

25 5. In accordance with A.R.S. § 20-684(D) and consistent with this Court’s Order re
26 Petition 4, this Petition seeks an order granting the following relief:

- 27 a. Approving the RLF Quarterly Accounting as submitted in Exhibit A hereto;
- 28

1
2 SUPERIOR COURT OF ARIZONA
3 COUNTY OF MARICOPA
4

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

6 **MASTER SERVICE LIST**

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**EXHIBIT A
TO PETITION 31**

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10 STATE OF ARIZONA, *ex rel.*
11 KEITH SCHRAAD, Interim Director
of Insurance,

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14 COMPASS COOPERATIVE MUTUAL
HEALTH NETWORK, INC., dba MERITUS
15 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. 31

**DECLARATION OF SPECIAL
DEPUTY RECEIVER REGARDING
THE RECEIVERSHIP
LIQUIDATION FUND
QUARTERLY ACCOUNTING
REPORTS FOR THE PERIODS
OF APRIL 1, 2016 THROUGH
SEPTEMBER 30, 2018 AND
RELATED FUNDING**

(Assigned to The Honorable

19
20 Daniel Martin)

21 By signing below, I, Darren Ellingson, state to the Court under penalty of law, that
22 the information stated on these pages is true and correct to the best of my knowledge and
23 belief.

24 1. I am over eighteen years of age, and I have personal knowledge of the facts
25 herein. I acquired my personal knowledge in my capacity as Special Deputy Receiver of
26 Meritus Mutual Health Partners, in liquidation ("Meritus Mutual") and of Meritus Health
27 Partners, in liquidation ("MHP"). I have served as Special Deputy Receiver since the
28 commencement of the Meritus Mutual and MHP receiverships and, in that capacity, I am
familiar with and have personal knowledge of the books and records of Meritus Mutual

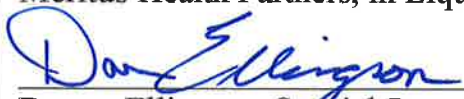
1 and MHP. Additionally, I serve as the Special Deputy Receiver for PMI Insurance
2 Company, an Arizona domiciled insolvent insurer and, in that capacity, I am familiar with
3 and have personal knowledge of the books and records of PMI Insurance Company. As
4 part of my duties for these three receiverships, I have become familiar with the books and
5 records of the Arizona Department of Insurance as specifically related to the Receivership
6 Liquidation Fund ("RLF"). In acquiring my personal knowledge, I relied upon work
7 performed by one or more persons that worked under my direction and/or under the
8 direction of the Deputy Receiver.

9 2. Attached hereto as Declaration Exhibit A-1 is the RLF Quarterly Accounting
10 Reports for the periods of April 1, 2016 to September 30, 2018. Based on my knowledge
11 and belief and the determinations I have made in my capacity as Special Deputy Receiver,
12 the RLF reports are based on the books and records of Arizona insurance company
13 receiverships, including Meritus Mutual and MHP, calculated on a liquidation basis.

14 3. As reported in Exhibit A-1, the RLF balance had diminished to \$79,247.44
15 and additional contributions from the insolvencies in Arizona are necessary.

16 4. By signing below, I state to the Court, under penalty of law, that the
17 information stated on these pages is true and correct to the best of my knowledge and
18 belief.

19 Meritus Mutual Health Partners, in Liquidation
20 Meritus Health Partners, in Liquidation

21 
22 Darren Ellingson, Special Deputy Receiver

23 Date: 4/16/2019

**EXHIBIT A-1
TO DECLARATION
OF SPECIAL DEPUTY RECEIVER**

Petition 31, Exhibit A-1
Receivership Liquidation Fund
1/1/2016 - 9/30/2018

	3/31/2016	6/30/2016	9/30/2016	12/31/2016	3/31/2017	6/30/2017	9/30/2017	12/31/2017	3/31/2018	6/30/2018	9/30/2018
Beginning Balance:	140,034.01	134,684.96	134,275.24	133,865.80	226,493.31	216,793.23	203,573.27	171,403.09	145,721.94	129,315.85	112,785.24
Receipts:											
Deposit-Meritus Mutual Health Partners				50,828.94							
Deposit-Meritus Health Partners				50,828.94							
Interest Reinvested-1st month of the quarter	79.87	144.32	93.61	106.32	191.93	208.99	199.74	200.09	181.98	174.83	175.56
Interest Reinvested-2nd month of the quarter	36.12	94.03	99.83	110.62	193.85	211.08	211.69	192.90	176.62	169.73	172.25
Interest Reinvested-3rd month of the quarter	87.09	89.21	113.78	129.03	183.33	208.22	220.08	174.60	159.99	189.31	158.95
Total Receipts	203.08	327.56	307.22	102,003.85	569.11	628.29	631.51	567.59	518.59	533.87	506.76
Disbursements:											
Salaries & Employee Related Expenses	(4,909.37)	-	-	(5,265.32)	(8,424.59)	(12,637.24)	(28,640.52)	(25,555.09)	(15,154.64)	(15,728.70)	(30,580.81)
Travel Expenses			(27.00)	(2,107.62)	(214.88)						(641.40)
Attorney General Office Charges - FYs 17,18,19, respectively			(125.00)				(300.00)				(300.00)
External Legal Expenses			(50.40)								
AFIS Charges - FYs 17,18, respectively			(118.00)				(95.66)				
Telephone/Data Line Charges	(465.28)	(604.17)	(350.13)	(639.29)	(990.69)	(962.16)	(613.30)	(921.58)	(927.05)	(817.90)	(394.52)
Sun State Building Rent - FYs 17,18, respectively				(1,231.00)			(3,100.00)	700.00			
100 North 15th Ave Cop Rent - FY 19											(2,034.24)
Software Support, Maintenance Short-Term LIC								(22.18)			(19.39)
Office Supplies					(20.00)			(4.10)			
Printing						(27.00)					(22.00)
Postage/Delivery Services			(1.76)				(7.84)		(0.49)		
Membership Dues					(505.00)			(200.00)	(505.00)		
Conference Registration & Fees									(337.50)		
Other Education & Training								(181.29)			
Books, Subscriptions & Publications					(25.29)			(64.50)			
Miscellaneous Operating	(177.48)	(133.11)	(44.37)	(133.11)	(88.74)	(221.85)	(44.37)			(47.27)	(52.20)
Operating Transfers Out										(470.61)	
Total Disbursements	(5,552.13)	(737.28)	(716.66)	(9,376.34)	(10,269.19)	(13,848.25)	(32,801.69)	(26,248.74)	(16,924.68)	(17,064.48)	(34,044.56)
Ending Balance:	134,684.96	134,275.24	133,865.80	226,493.31	216,793.23	203,573.27	171,403.09	145,721.94	129,315.85	112,785.24	79,247.44

Petition 31, Exhibit A-1**Individual Receivership Reconciliations**

1) PMI Mortgage Insurance Co.

Beginning Balance	88,104.43	85,456.15	85,295.34	85,132.17	82,913.14	80,554.18	77,325.57	69,365.02	63,032.53	59,025.68	55,003.24
Net Change during the quarter	(2,648.28)	(160.81)	(163.18)	(2,219.03)	(2,358.96)	(3,228.61)	(7,960.55)	(6,332.49)	(4,006.85)	(4,022.44)	(8,264.00)
Ending Balance	85,456.15	85,295.34	85,132.17	82,913.14	80,554.18	77,325.57	69,365.02	63,032.53	59,025.68	55,003.24	46,739.24

2) Reliance Insurance Company

Beginning Balance	51,929.57	49,228.81	48,979.90	48,733.63	46,461.13	44,010.58	40,676.06	32,601.82	26,147.60	22,009.48	17,834.23
Net Change during the quarter	(2,700.76)	(248.91)	(246.26)	(2,272.50)	(2,450.55)	(3,334.52)	(8,074.24)	(6,454.23)	(4,138.12)	(4,175.26)	(8,431.01)
Ending Balance	49,228.81	48,979.90	48,733.63	46,461.13	44,010.58	40,676.06	32,601.82	26,147.60	22,009.48	17,834.23	9,403.22

3) Meritus Mutual Health Partners

Beginning Balance				50,828.94	48,559.52	46,114.24	42,785.82	34,718.12	28,270.91	24,140.34	19,973.89
Net Change during the quarter				(2,269.42)	(2,445.28)	(3,328.42)	(8,067.70)	(6,447.22)	(4,130.56)	(4,166.46)	(8,421.39)
Ending Balance				48,559.52	46,114.24	42,785.82	34,718.12	28,270.91	24,140.34	19,973.89	11,552.49

4) Meritus Health Partners

Beginning Balance				50,828.94	48,559.52	46,114.24	42,785.82	34,718.12	28,270.91	24,140.34	19,973.89
Net Change during the quarter				(2,269.42)	(2,445.28)	(3,328.42)	(8,067.70)	(6,447.22)	(4,130.56)	(4,166.46)	(8,421.39)
Ending Balance				48,559.52	46,114.24	42,785.82	34,718.12	28,270.91	24,140.34	19,973.89	11,552.49

Total Receivership Liquidation Fund Balance	134,684.96	134,275.24	133,865.80	226,493.31	216,793.23	203,573.27	171,403.09	145,721.94	129,315.85	112,785.24	79,247.44
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