A-15-725244-C

DISTRICT COURT CIVIL COVER SHEET

County, Nevada

Ι

	Case No. (Assigned by Cl	lerk's Office)	
I. Party Information (provide both h	ome and mailing addresses if differe	ent)	
Plaintiff(s) (name/address/phone):			ant(s) (name/address/phone):
State of Nevada, ex rel Comr	nissioner of Insurance,i		Nevada Health CO-OP
in her Official Capacity as S			
Delinguent Dome			
Attorney (name/address/phone):		Attorney	y (name/address/phone):
Joanna N. Grigo	riev. SDAG		f (name, address, phone).
Office of the Attor			
555 E. Washington		1 1	
Las Vegas, NV 89101			
II. Nature of Controversy (please s	elect the one most applicable filing	type below)	
Civil Case Filing Types			
Real Property Landlord/Tenant	Nogligonas		Torts Other Torts
	Negligence		pursuing
Unlawful Detainer	Auto		Product Liability
Other Landlord/Tenant	Premises Liability		Intentional Misconduct
Title to Property	Other Negligence		Employment Tort
Judicial Foreclosure	Malpractice		Insurance Tort
Other Title to Property	Medical/Dental		Other Tort
Other Real Property			
Condemnation/Eminent Domain	Accounting		
Other Real Property	Other Malpractice		
Probate	Construction Defect & Co	ontract	Judicial Review/Appeal
Probate (select case type and estate value)	Construction Defect		Judicial Review
Summary Administration	Chapter 40		Foreclosure Mediation Case
General Administration	Other Construction Defect	t	Petition to Seal Records
Special Administration	Contract Case		Mental Competency
Set Aside	Uniform Commercial Cod		Nevada State Agency Appeal
Trust/Conservatorship	Building and Construction	1	Department of Motor Vehicle
Other Probate	Insurance Carrier		Worker's Compensation
Estate Value	Commercial Instrument		Other Nevada State Agency
Over \$200,000	Collection of Accounts		Appeal Other
Between \$100,000 and \$200,000	Employment Contract		Appeal from Lower Court
Under \$100,000 or Unknown	Other Contract		Other Judicial Review/Appeal
Under \$2,500			
Civi	l Writ		Other Civil Filing
Civil Writ			Other Civil Filing
Writ of Habeas Corpus	Writ of Prohibition		Compromise of Minor's Claim



Nevada AOC - Research Statistics Unit Pursuant to NRS 3.275

Form PA 201 Rev 3.1

Electroni	cally Filed	1
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1	PET	
2	ADAM PAUL LAXALT	Alun J. Ehrin
3	JOANNA N. GRIGORIEV Senior Deputy Attorney General	CLERK OF THE COURT
4	Nevada Bar No. 5649 555 E. Washington Avenue, Suite 3900	
5	Las Vegas, NV 89101 P: (702) 486-3101	
6	Email: jgrigoriev@ag.nv.gov Attorney for the Division of Insurance	
7		
8	IN THE EIGHTH JUDICIAL DISTRICT	COURT OF THE STATE OF NEVADA
9	CLARK COUI	NTY, NEVADA
	· · · ·	A-15-725244-C
10	STATE OF NEVADA, EX REL.) Case No.
11	COMMISSIONER OF INSURANCE, IN HER OFFICIAL CAPACITY AS STATUTORY) Dept. No.
12	RECEIVER FOR DELINQUENT DOMESTIC INSURER,	
13)
14	Plaintiff,	
15	VS.	,))
16	NEVADA HEALTH CO-OP,)
17	Defendant.)
18		
19		
20	PETITION FOR APPOINTMENT OF COM	MISSIONER AS RECEIVER AND OTHER
21		FOR TEMPORARY INJUNCTION
22	COMES NOW Plaintiff State of Nevad	a, ex rel. Acting Commissioner of Insurance,
23	Amy L. Parks ("Commissioner"), pursuant to N	evada Revised Statute ("NRS") 696B.250, and

555 East Washington Avenue, Suite 3900 Office of the Attorney General

Las Vegas, Nevada 89101

24 petitions this Honorable Court, which has original jurisdiction of delinquency proceedings 25 pursuant to NRS 696B.190(1), to appoint the Commissioner as Receiver of the NEVADA 26 HEALTH CO-OP ("CO-OP"), Company ID No. 119733 and NAIC ID No. 15132, for the 27 purpose of conservation/rehabilitation and to grant permanent injunctive and other relief 28 authorized by Chapter 696B of the NRS and other applicable law, in order to finally ascertain - 1 -

the CO-OP's true and current state of affairs, to conserve its assets, and protect the 2 policyholders and public from the dangers inherent to the delinquency of this entity. To that end, it is respectfully requested that the Court issue an order directing the CO-OP to appear in 4 Court on the day fixed in the order and show cause why the Petition should not be granted.

The Commissioner further respectfully requests that the Court issue the following interim orders for injunctive relief pending the show cause hearing and further orders by the Court, on the grounds set forth in this Petition and as permitted in NRS 696B.270(1):

8 Pursuant to NRS 696B.210(2), on the grounds that the insurer is in unsound 1. 9 condition, and pursuant to NRS 696B.210(14), on the grounds that the majority of its directors 10 consented to conservation/rehabilitation, to appoint the Commissioner as Temporary Receiver 11 pending further orders by the Court, to enter the business and immediately oversee the 12 operation and conservation/ rehabilitation of the business.

Pursuant to NRS 696B.270, pending further orders by the Court, to immediately 2. enjoin the CO-OP, the officers, directors, stockholders, members, subscribers, agents, employees, and all other persons from transacting any further business on behalf of the CO-OP unless otherwise directed by the Receiver, or from wasting or disposing of any assets or property of the CO-OP.

18 Pursuant to NRS 696B.340, pending further orders by the Court, to immediately 3. 19 enjoin any and all persons from the commencement or prosecution of any actions by or on 20 behalf of the CO-OP, or against the CO-OP. Further, all persons should be restrained from 21 obtaining any preferences, judgments, attachments, or other liens as to any property of the 22 CO-OP, or making any levy against the CO-OP or against their assets or any part thereof.

> Pursuant to NRS 696B.270, pending further orders by the Court, to enjoin all 4.

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24 persons other than the Receiver, or as directed by the Receiver, from withdrawal of any funds 25 from the CO-OP's accounts, or removal of other property from the CO-OP. 26 5. Authorizing the Commissioner as Temporary Receiver to impose such partial or 27 full lien or moratoria on any disbursements for such time and under such terms as she deems 28 necessary and appropriate for the protection of members and creditors, provided that such - 2 -

lien or moratoria shall apply in the same manner to all similarly situated persons and providing
 that under no circumstances shall the Receiver or her representatives be liable to any person
 for a good faith decision to impose, or refrain from imposing, such lien or moratorium.

6. Authorizing the Commissioner as Temporary Receiver to make such arrangements for the replacement or continuation of health care coverage provided by the CO-OP as she deems appropriate and in the interest of the CO-OP's members and to enter into such as agreements as she deems necessary for that purpose.

7. Authorizing the Commissioner as Temporary Receiver to appoint, without prior notice to or prior approval by the Court, such Special Deputy Receiver and consultants as she deems necessary for the conduct of the CO-OP's receivership; such Special Deputy Receiver thereby being vested with all the rights, duties, and authority of the Temporary Receiver subject to the supervision of the Commissioner as Temporary Receiver and of the Court.

8. Authorizing the Commissioner as Temporary Receiver to issue such Directives
as she deems appropriate to memorialize and provide notice of the exercise of her authority
under the Court's Orders and applicable law.

The Commissioner requests that, following the hearing to show cause, the Court issue orders to:

18 1. Pursuant to NRS 696B.210, appoint the Commissioner as Permanent Receiver
 19 to enter the business and immediately oversee the operation and conservation/rehabilitation
 20 of the business;

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 2. Pursuant to NRS 696B.255(1) and NRS 696B.290(6), authorize the
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24	other personnel as she considers necessary, without prior notice to or prior approval by the
25	Court.
26	3. Pursuant to NRS 696B.255(1), authorize the Receiver to fix the compensation of
27	special deputies, counsels, clerks and assistants with the approval of the Court and thereafter,
28	without prior notice or prior approval of the Court, to pay compensation at such approved rate,
	- 3 -

in addition to any other administrative expenses of taking possession of, conserving, collecting, or otherwise dealing with, the business and property of CO-OP: all actions to be subsequently included in Receiver's quarterly reports and subject to the Court's review, as provided in NRS 696B.290(7).

5 Pursuant to NRS 696B.270, permanently enjoin the CO-OP, the officers, 4. 6 directors, stockholders, members, subscribers, agents, employees, and all other persons from 7 transacting any further business on behalf of the CO-OP unless otherwise directed by the 8 Receiver, or from wasting or disposing of any assets or property of the CO-OP;

9 5. Pursuant to NRS 696B.340, permanently enjoin any and all persons from the 10commencement or prosecution of any actions by or on behalf of the CO-OP, or against the CO-OP. Further, all persons should be restrained from obtaining any preferences, judgments, 12 attachments, or other liens as to any property of the CO-OP, or making any levy against the CO-OP or against their assets or any part thereof;

6. Pursuant to NRS 696B.270, permanently enjoin all persons other than the Receiver, or as directed by the Receiver, from withdrawal of any funds from the CO-OP's accounts, or removal of other property from the CO-OP;

17 Pursuant to NRS 696B.290 and 696B.270, vest the Commissioner as Receiver 7. 18 with the title to all of the CO-OP's real and personal property of every kind whatsoever and 19 take possession of the assets wherever located, whether in the possession of the CO-OP or 20 its officers, directors, employees, consultants, attorneys, agents, managers, parents, 21 subsidiaries, affiliated corporations, or those acting in concert with any of these persons, and 22 any other persons, including, but not limited to, all property, offices maintained or utilized by 23 the CO-OP, books, papers, contracts, deposits, stocks, securities, rights of action, accounts,

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24 documents, data records, papers, evidences of debt, bonds, debentures, mortgages, furniture, 25 fixtures, office supplies, safe deposit boxes, legal/litigation files, and all books and records of 26 insurers, and administer them under the general supervision of the Court; 27 /// 28 /// - 4 -

1	8. M	lake all relief granted in the interim order permanent, and
2		uthorize the Commissioner as Receiver to take any and all actions that she
3		le in connection with conservation/rehabilitation of the CO-OP, and as provided
4		B of the NRS and any other applicable law.
5	DATED	this 25 th day of September, 2015.
6		ADAM PAUL LAXALT
7		Attorney General
8		By: <u>/s/ Joanna N. Grigoriev</u>
9		JOANNA N. GRIGORIEV Senior Deputy Attorney General
10		Attorney for the Division of Insurance
11		
12		
12		POINTS AND AUTHORITIES
12		I. Introduction
	Pursuant	
13		I. Introduction
13 14	the Commissior	I. Introduction t to the provisions of Chapter 696B of the Nevada Revised Statutes ("NRS"),
13 14 15	the Commissior grounds that, w	I. Introduction to the provisions of Chapter 696B of the Nevada Revised Statutes ("NRS"), her seeks to commence a delinquency proceeding against the CO-OP on the
13 14 15 16	the Commission grounds that, w in such an uns	I. Introduction t to the provisions of Chapter 696B of the Nevada Revised Statutes ("NRS"), her seeks to commence a delinquency proceeding against the CO-OP on the rithout intervention of a Receiver for conservation/rehabilitation purposes, it is
13 14 15 16 17	the Commission grounds that, w in such an uns prospectively ha	I. Introduction to the provisions of Chapter 696B of the Nevada Revised Statutes ("NRS"), her seeks to commence a delinquency proceeding against the CO-OP on the rithout intervention of a Receiver for conservation/rehabilitation purposes, it is ound condition as to render its further transaction of insurance presently or
13 14 15 16 17 18	the Commission grounds that, w in such an uns prospectively ha 696B.210(2). Se	I. Introduction to the provisions of Chapter 696B of the Nevada Revised Statutes ("NRS"), her seeks to commence a delinquency proceeding against the CO-OP on the rithout intervention of a Receiver for conservation/rehabilitation purposes, it is ound condition as to render its further transaction of insurance presently or azardous to its policyholders, or creditors, or the public, as set forth in NRS
 13 14 15 16 17 18 19 	the Commission grounds that, w in such an uns prospectively ha 696B.210(2). Se <i>Kathleen Lace;</i>	I. Introduction It to the provisions of Chapter 696B of the Nevada Revised Statutes ("NRS"), her seeks to commence a delinquency proceeding against the CO-OP on the rithout intervention of a Receiver for conservation/rehabilitation purposes, it is ound condition as to render its further transaction of insurance presently or azardous to its policyholders, or creditors, or the public, as set forth in NRS ee Ex. A and B (with supporting documents), <i>Affidavit of Insurance Examiner</i> ,
 13 14 15 16 17 18 19 20 	the Commission grounds that, w in such an uns prospectively ha 696B.210(2). Se <i>Kathleen Lace;</i> the CO-OP's B	I. Introduction It to the provisions of Chapter 696B of the Nevada Revised Statutes ("NRS"), her seeks to commence a delinquency proceeding against the CO-OP on the rithout intervention of a Receiver for conservation/rehabilitation purposes, it is ound condition as to render its further transaction of insurance presently or azardous to its policyholders, or creditors, or the public, as set forth in NRS see Ex. A and B (with supporting documents), <i>Affidavit of Insurance Examiner,</i> <i>Affidavit of Lead Actuary, Annette James, respectively.</i> On August 17, 2015,

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II. <u>Facts</u>

NEVADA HEALTH CO-OP ("CO-OP"), Company ID No. 119733 and NAIC ID No. 15132, is incorporated as a nonprofit, non-stock cooperative corporation pursuant to NRS 81.410 - .540, inclusive, and operates as a health maintenance organization ("HMO") chartered in Nevada, with a certificate of authority issued on January 2, 2013. It operates as an HMO under the authority of NRS Chapter 695C.

The Patient Protection and Affordable Care Act ("ACA") established health insurance exchanges in order to provide individuals and small businesses another option through which to shop for health insurance and possibly receive certain tax credits. To expand the number of health insurance plans that could be made available on the exchanges, the ACA also provided for the creation of the Consumer Operated and Oriented Plan program ("Program"). This Program is overseen by the Centers for Medicare and Medicaid Services' ("CMS").

In order to assist in the creation of co-ops through the Program, CMS made two types of loans to qualified applicants including the CO-OP: Startup Loans which were intended to assist co-op applicants with approved costs for beginning operations; and Solvency Loans that were intended to assist applicants with meeting the capital reserve requirement of the State in which they intended to be domiciled. Subsequent to receipt of the Startup and Solvency Loans from CMS, no additional Federal funds are forthcoming for the capitalization of the CO-OP.

The CO-OP, which was created through the Program, is a private, nonprofit, memberowned insurance company subject to State insurance laws and certain Federal statutes, rules, regulations, and terms. For example, the CO-OP cannot offer equity interests to private investors. Additionally, because the CO-OP is organized as an HMO, there is no guaranty

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- ²⁴ || fund association protection available to its policyholders. NRS 686C.100.
- The CO-OP's most recent financial statement filed as of June 30, 2015, pursuant to
- ²⁶ NRS 680A.270, reported total admitted assets of \$47,923,084, total liabilities of \$40,788,422
- ²⁷ and capital & surplus in the amount of \$7,134,662. As of June 30, 2015, the CO-OP reported

- 6 -

²⁸ || a net loss of (\$30,422,301).

1	On August 21, 2015, the CO-OP was allowed a limited one-time permitted practice to
2	report the CMS Startup funds as surplus rather than as a liability in accordance with SSAP
3	No. 15 – Debt and Holding Company Obligations. This permitted practice was limited to the
4	CO-OP's second quarter reporting period which ended on June 30, 2015.
5	According to the analysis by Division of Insurance Examiner, Kathleen Lace, (Ex. A),
6	there has been significant, materially-adverse loss development, such that the CO-OP is now
7	unsound pursuant to NRS 696B.210(2):
8	• The CO-OP's operating loss in the most previous 6-month period, is greater than
9	50 percent of the insurer's surplus which is in excess of the statutory minimum surplus required for HMOs pursuant to Nevada Administrative Code ("NAC")
10	695C.130.
11	 Upon expiration of the permitted practice, the CO-OP's capital & surplus will likely show that it is below the statutory minimum requirement pursuant to NAC
12	695C.130.
13	 The CO-OP does not have access to additional sources of capital to improve its financial outlook.
14	Additional evidence supporting the conclusion that the CO-OP is in unsound condition
15	is provided and further explained in the Affidavit of Division of Insurance Lead Actuary,
16	Annette James (Ex. B), and is summarized as follows:
17	 The CO-OP's claims unpaid reserve has increased significantly over the first six months of 2015.
18	
19	 Continued losses over the first six months of 2015 resulted in the immediate recognition of a large premium deficiency reserve as of June 30, 2015.
20	• The collectability of the CO-OP's accounts receivable from the Federal Risk
21	Corridor program in the amount of \$16,200,240 as of June 30, 2015, is uncertain.
22	An unsound/hazardous condition serves as grounds for receivership pursuant to
23	NRS 696B.210(2). Additionally, the consent of the board of directors also serves as grounds

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- ²⁴ for said receivership pursuant to NRS 696B.210(14) (Ex. D). The foregoing facts constitute
- ²⁵ grounds to place the CO-OP in a receivership pursuant to NRS 696B.210 and 696B.290.

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- 26 || These facts also support an order of injunction as provided in NRS 696B.270(1).
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III. Analysis

Receivership Α.

Chapter 696B of the NRS governs delinquency proceedings, including by conservation, rehabilitation, or liquidation, against all persons and entities defined in NRS 696B.020. Nevada has adopted the Uniform Insurers Liquidation Act ("UILA"). See NRS 696B.280, 696B.030 - .180 and NRS 696B.290 - .340. The UILA serves the purpose to "make uniform the laws of those states which enact it," NRS 696B.280(3), and to provide for a uniform and orderly method of making claims against an insolvent insurer and distributing an insolvent insurer's assets. It prevents local creditors from seizing the assets of an insurer while liquidation proceedings are administered, thus ensuring that all creditors of the insolvent company, regardless of their geographical location, are treated equally. See Ace Grain Co. v. Rhode Island Ins. Co., 107 F. Supp. 80 (S.D.N.Y. 1952), aff'd, 199 F. 2d. 758 (2d Cir. 1953).

14 In the State of Nevada, where this delinquent insurer is domiciled, the Commissioner is 15 the proper authority to be appointed as the Receiver for proceedings to administer the CO-16 OP's assets. See NRS 696B.290. Under the statutory scheme patterned after UILA, the 17 Receiver takes possession and control of the insurer's property and "steps into the shoes" of 18 the insurer and proceeds to administer the receivership. Am Jur. Receivers § 116. Her powers 19 are derived from the governing statutes, and not from the court. See State ex. Rel. Sizemore 20 v. United Physicians Ins. Risk Retention, 56 S.W. 3d 557, 563 (Tenn. Ct. App. 2001) (citations 21 omitted). The receiver is afforded great deference, as evidenced by the language of NRS 696B.290(7): "the court shall not withhold approval or disapprove any such action unless 22 found by the court after a hearing thereon in open court to be unlawful, arbitrary or capricious." 23

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Unsound condition is grounds for receivership. NRS 696B.210(2). Additionally, the consent of the board of directors provides grounds under NRS 696B.210(14). The Commissioner, as Receiver in the state of domicile, is vested with title to all of the company's 28 property and has the sole right to receive the books, records, and assets of the delinquent - 8 -

company, wherever located, to satisfy the claims of policyholders and creditors in this state
 and elsewhere, pursuant to NRS 696B.290. Claims against the insurer, including any claims
 of Nevada residents, are reviewed pursuant to the provisions of NRS Chapter 696B. These
 provisions apply broadly to all corporations, firms, associations, societies, entities or
 individuals doing insurance business in Nevada. The Commissioner as Receiver is
 responsible for the proper administration of assets.

The Petition filed in this case seeks an order appointing the Commissioner as the Receiver as to the assets and special deposits of the CO-OP located within this state and elsewhere. NRS 696B.250 sets forth the proper procedure as follows:

> 1. The Commissioner shall commence a delinquency proceeding authorized under this chapter, the Attorney General representing the Commissioner, by filing a petition in a court of proper jurisdiction praying for appointment of the Commissioner as receiver of the insurer.

2. Upon the filing of the petition the court shall issue an order directing the insurer to appear in court on the day fixed in the order and show cause why the petition should not be granted. Unless good cause is shown for a shorter period, the order shall require the insurer so to show cause not less than 15 days nor more than 30 days from the date of the order.

3. The order to show cause and service thereof on the insurer shall constitute due and legal process and shall be in lieu of any other process otherwise provided by law or court rule.

The District Court has original jurisdiction of delinquency proceedings under NRS 696B.010 - .565 and "may make all necessary or proper orders to carry out the purposes of those sections." See NRS 696B.190(1). In this case, as indicated in Ex. A and B and the supporting documents, the CO-OP is unsound as provided in NRS 696B.210(2). As such, proceeding with this receivership is appropriate.

B. Injunctions

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24	The Commissioner is under a duty to act for the protection of subscribers, members,
25	and policyholders and conserve the available assets. To this end, the Commissioner
26	may seek an injunction to stay the commencement or prosecution of actions and the procuring
27	of judgment against the insurer, restrain the consummation of business transactions, prohibit
28	interference with the delinquency proceedings, or prevent waste of the assets. See NRS
	- 9 -

	1	696B.270 and NRS 696B.340. "The UILA authorizes the court in which a delinquency
	2	proceeding was instituted to enjoin all claims against the insurer" Integrity Ins. Co. v.
	3	Martin, 105 Nev. 16, 18, 769 P.2d 69, 70 (1989). This Court may issue such injunctions in this
	4	matter without notice upon the commencement of these delinquency proceedings as provided
	5	in NRS 696B.270:
	6	1. Upon application by the Commissioner for such an order to
	7	show cause, or at any time thereafter, the court may without notice issue an injunction restraining the insurer, its officers, directors, stackholders, members, subscribers, agents and all other
	8	directors, stockholders, members, subscribers, agents and all other persons from the transaction of its business or the waste or disposition of its property until the further order of the court
	9	2. The court may at any time during a proceeding under NRS 696B.010 to 696B.565, inclusive, issue such other injunctions or
	10	orders as may be deemed necessary to prevent interference with the Commissioner or the proceeding, or waste of the assets of the
	11	insurer, or the commencement or prosecution of any actions, or the obtaining of preferences, judgments, attachments or other liens, or
07101	12	the making of any levy against the insurer or against its assets or any part thereof.
vevaua	13	3. No bond may be required of the Commissioner as a prerequisite for the issuance of any injunction or restraining order
Las Vegas, Nevaua	14	pursuant to this section. (Emphasis added).
Las L	15	The Commissioner seeks to preserve the status quo and to enforce the purposes of
	16	NRS 696B.270, and to protect policyholders of the CO-OP from the wasting of assets, as well
	17	as potential collection actions pending payment of claims. The CO-OP is in unsound
	18	condition and has been subject to such methods and practices in the conduct of its business
	19	as to render its further transaction of insurance, without formal conservation/rehabilitation
	20	receivership efforts by the Commissioner, presently or prospectively hazardous to the
	21	policyholders, creditors and the public. As evident from Exhibits A and B attached hereto, an
	22	order of an immediate injunction pending further orders of the Court is essential to preserve
	23	the assets, the status quo, to enforce the purposes of NRS 696B.270, and to protect insureds

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24	and creditors of the CO-OP from collection actions pending payment of claims.	
25	IV. <u>Conclusion</u>	
26	Based on the foregoing, the Commissioner respectfully requests that the Court issue	****
27	an Order to Show Cause directing the CO-OP to appear and show cause why the Petition	
28	to Appoint Commissioner as Receiver and Associated Relief should not be granted. The	
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Commissioner further requests that the Court issue interim orders of injunction as set forth 2 herein, pending the show cause hearing and further orders of the Court as set forth herein. 3 The statutory immunity of NRS 696B.565 extends to deputy receivers as officers or agents of 4 the Receiver.

The Commissioner respectfully requests further that the Court grant the Petition for Appointment of Commissioner as Receiver, along with the associated permanent relief and injunctions.

DATED this 25th day of September, 2015.

ADAM PAUL LAXALT **Attorney General**

By: /s/ Joanna N. Grigoriev JOANNA N. GRIĞORIEV Senior Deputy Attorney General Attorney for the Division of Insurance

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EXHIBIT A

ТО

PETITION FOR APPOINTMENT OF COMMISSIONER AS RECEIVER AND OTHER PERMANENT RELIEF; REQUEST FOR TEMPORARY INJUNCTION PURSUANT TO NRS 696B.270(1)

(percent)	STATE OF NEVADA
2	DEPARTEMENT OF BUSINESS AND INDUSTRY DIVISION OF INSURANCE
3	
4	AFFIDAVIT OF KATHLEEN LACE IN SUPPORT OF PETITION FOR APPOINTMENT OF COMMISSIONER AS RECEIVER AND OTHER PERMANENT
5	RELIEF: REQUEST FOR TEMPORARY INJUNCTION PURSUANT TO NRS 696B.270(1)
6	STATE OF NEVADA
7) ss: COUNTY OF CARSON CITY)
8	I, Kathleen Lace, being duly sworn, on oath, depose and say that:
9	1. I am an Insurance Examiner I in the Corporate and Financial Affairs
10	Section for the State of Nevada, Department of Business and Industry, Division of
y manual to the second	Insurance ("Division").
12	2. I have a Bachelor of Science in Health Ecology, a four-year
13	undergraduate degree from the University of Nevada, Reno, secured in 1999. I have a
14	Masters Degree in Business Administration ("MBA") with a concentration in Accounting
15	and Finance obtained from the University of Nevada, Reno in 2005. I received the
16	Associate Professional in Insurance Regulation ("APIR") designation awarded by the
17	National Association of Insurance Commissioners in 2014.
18	3. From December 2014 to August 2015, I was the financial analyst
19	assigned at the Division to review the financial information and related documents filed
20	with the Division by the Nevada Health CO-OP ("CO-OP" or "Company"). I am
21	providing this Affidavit in my capacity and responsibility as the assigned analyst during
22	that period.
23	4. Attachment 1 is the Certificate of Authority granted to the CO-OP as a

24	Health Maintenance Organization ("HMO") on January 2, 2013, and as amended on	
25	July 3, 2013. As an HMO, the CO-OP is subject to Nevada law in Chapter 695C and,	
26	pursuant to Nevada Revised Statute ("NRS") 686C.100, the CO-OP is not eligible to	
27	participate in the Nevada Life and Health Insurance Guaranty Association. The CO-OP	
	is incorporated as a Nevada nonprofit cooperative corporation without stock, pursuant	
	~] ~	ļ

1 to NRS 81.410 - .540, inclusive.

2	5. Pursuant to NRS 695C.210(1), the CO-OP was required to file a full and
~	true statement of its financial condition, transactions and affairs; and an accurate
	statement of its financial condition, in accordance with the NAIC Annual Statement
\$\$^;	Instructions and NAIC Accounting Practices and Procedures Manual. NRS
6	695C.210(1). Attachment 2 includes pages 1-5 of the CO-OP's 2014 Health Annual
-1	Statement (financial) submitted on March 3, 2015.
8	6. Nevada Administrative Code ("NAC") 695C.130 requires that health
9	companies, such as the CO-OP, maintain a minimum capital and surplus balance of
10	\$1,500,000.
yanaanaa yaaanaa yaaanaa	7. Pages 1-5 of the CO-OP's most recent Quarterly Statement (financial), as
12	of June 30, 2015, are attached as Attachment 3.
13	8. The CO-OP's June 30, 2015 financial statement reflects total admitted
14	assets of \$47,923,084 and total liabilities of \$40,788,422, resulting in capital and
15	surplus of \$7,134,662.
16	9. The CO-OP reported a net loss as of June, 30, 2015, of (\$30,422,301).
17	For the 2014 calendar year, the CO-OP reported a net loss of (\$15,295,456).
18	10. On June 30, 2015, the policyholders' surplus of \$7,134,662 was
19	comprised of \$48,820,349 of surplus notes, \$151,601 of aggregate write-ins for special
20	surplus funds, and \$17,080,047 of aggregate write-ins for other than special surplus
21	funds, less (\$58,917,335) in unassigned funds from operating losses since the CO-
22	OP's inception.
,	I a superior and the minimum approximation to the second of the second s

23 11. On August 21, 2015, the Division approved a temporary, limited one-time

	11. On August 21, 2010, the Dimension approved a temperary, minter the more	-
24	permitted practice to allow the CMS Startup loan, in the amount of \$17,080,047, to be	Na de la companya de
25	reported as surplus rather than a liability in accordance with SSAP No. 15 - Debt and	
26	Holding Company Obligations. The time period during which the permitted practice	
27	was allowed was limited to the June 30, 2015 Quarterly Statement. A copy of the	***
28	permitted practice is attached as Attachment 4.	
	-2-	have a recordination of the

Due to the significant losses experienced since its inception, along with 12. , mund the lack of new sources of capital, the CO-OP is unsound pursuant to NRS 2 696B.210(2). 3 I declare under penalty of perjury that the foregoing is true and correct 13. 4 based on my personal knowledge. 5 6 Jac-7 Kathleen Lace 8 Insurance Examiner I 9

10 SUBSCRIBED and SWORN to before me this $\underline{25}$ day of September, 2015. 12 たくだんしていいいいいいいいいいいいいいいない 13 FELECIA CASCI NOTARY PUBLIC STATE OF NEVADA 14 My Appt Exp. Nov. 17, 2016 8728.J ΝΟΤΑ 15 16 17 18 19 20 21 22 23



ATTACHMENT 1

TO

AFFIDAVIT OF KATHLEEN LACE IN SUPPORT OF PETITION FOR APPOINTMENT OF COMMISSIONER AS RECEIVER AND OTHER PERMANENT RELIEF; REQUEST FOR TEMPORARY INJUNCTION PURSUANT TO NRS 696B.270(1)

Certificate of Authority

STATE OF NEVADA DEPARTMENT OF BUSINESS & INDUSTRY DIVISION OF INSURANCE Carson City, Nevada

Nevada ID #: **119733**

THE NEVADA HEALTH CO-OP

Incorporated in the State of **NEVADA**

Home office at LAS VEGAS, NEVADA

having duly qualified, is hereby licensed to transact:

** HEALTH MAINTENANCE ORGANIZATION (NRS 695C) **

(Service Area by Counties and zip codes): Clark - All zip codes

insurance business within the State of Nevada until terminated at the request of the insurer or suspended or revoked by the Commissioner of Insurance.

Original Certificate Dated at Carson City,
Nevada this day of January, 2013



Communicationer of Insurance

Amended Certificate of Authority

STATE OF NEVADA DEPARTMENT OF BUSINESS & INDUSTRY DIVISION OF INSURANCE Carson City, Nevada

Nevada ID: 119733

NEVADA HEALTH CO-OP

THE

Incorporated in the State of **NEVADA**

Home office at LAS VEGAS, NEVADA

having duly qualified is hereby licensed to transact:

** HEALTH MAINTENANCE ORGANIZATION (NRS 695C) ** (Service Area: All zip codes in Nevada)

insurance business within the State of Nevada until terminated at the request of the insurer or suspended or revoked by the Commissioner of Insurance.



Original Certificate Dated at Carson City, Nevada

this 2nd day of January, 2013

Amended this 3rd day of July, 2013

Commissioner of Insurance

ATTACHMENT 2

ТО

AFFIDAVIT OF KATHLEEN LACE IN SUPPORT OF PETITION FOR APPOINTMENT OF COMMISSIONER AS RECEIVER AND OTHER PERMANENT RELIEF; REQUEST FOR TEMPORARY INJUNCTION PURSUANT TO NRS 696B.270(1)



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2014

OF THE CONDITION AND AFFAIRS OF THE

Nevada Health CO-OP

NAK) S	Prous Code <u>0069 6000</u> NAIC Com (Current : Prien	spany Code <u>15192</u> I	mployer's ID Number 90-0917673	
Organized under the Laws of			er Pisit of Entry	Y
Country of Comicile	a na seconda na seconda da seconda de la constance de la constance de la constance de la constance de la consta MUSE	ed Sintes of America		and a second second and a second s
Licensed as business type	Headth (Asimenance Organization		
is HMO Federally Qualified? Y	es (-) No (X (
incorporated/Organized	16:30-2012	Corrected	usiness01/01/201	
Statutory Home Olice	3900 Meadows Lane Suite 214 (Street and Number)	2000029999000099 ⁹ 0100000000000000000000000000000000000	Las Vegas , NV, LIS 89107 (City or Town, State, Country and Zip Ci	,
Man Administrative Office		legéows Lane Suie 214		ananagang sala 201 denina atau 21 milan 20 milan atau 1996 di kanang
		Irreet and Nomber)	500 000 2800	
	Las Vegas , NV, US 89107 Town, State, Country and Zp Code)	and the second	702-802-4600 (Area Code) : Turephone Number)	
Mai-Address	3900 Meadowe Lane Suite 214		Las Vegas , NV, US 89107	
	Street and Number of FIC Box)	and an address of a particular and a second definition of a second data and a second data and a second data and	(City or Town State, Country and Zip Ci	cde-
Primary Location of Books and				a a seconda e como de c
	and the second	Street and Number)	702 802 4600	
wanter and the second	tes vegas , no. 03 99197 fown, State, Country and 2p Code:		(Area Code) (Telephone Number)	***************************************
· ·		un din ina a tina di sua ang		
Internet Websile Address	nc	สมอุณาสุรษณณณ์ การ		a, ya uu uu ay aa ay aa ay ahaa ahaa ahaa
Statutory Statement Contact	Bas- Chorles Obsie	and the second	702-862-4600	
A	(Narusi		(Area Code) (Telephone Num	
53 	ibse@nevadaheaithcoop.crg . E-maii Address)	anna an	(FAX Number)	
	c por critican process critical			
		OFFICERS		
	Panela Lynn Egan #		******	a w y a gal a da a a th' th' a da a a da a' tha a da a a a a a a a a a a a da a da
Secretary	Sciberis Adeis Bond			****
		OTHER		~~~~~
	DIREC	TORS OR TRUSTEES		
DarstyLynn	Thompson	Constine Joy Caralasia	Donaid Ray T	avist it.
State of	Nevada SS:			
County of	Clark >3			

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, ar of the herein described assets were the absolute propenty of the said reporting entity, fee and clear from any liens or claims thereon, except as herein stated, and that this statement, togother with related exhibits, schedules and explanations (herein contained, annexed or referred to, is a full and the statement of all the assets and liabilities and of the condition and alfairs of the said reporting entity as of the reporting period stated above, and of its income and deductions thereform for the period ended, and have been completed in accordance with the NAIC Annual Statement instructions and Accounting Practices and Procedures manual except to the extent that (1) state faw may differ; or, (2) that state respectively. Furthermore, the accept of this attestation by the described officers also includes the related corresponding electronic bling with the NAIC, when requested of the described officers also includes the related corresponding electronic bling with the NAIC. When requested to accounting practices and procedures, according to the bast of their information, knowledge and belief respectively. Furthermore, the accept of this attestation by the described officers also includes the related corresponding electronic bling with the NAIC, when request of later and of in addition to the enclosed statement.

Pamea Linn Egar 080

Base Charles Olbsia CFO

Subacebed and sworn to before the this 28th day of February 2015

3-6

a. Is this an original Hing?
b. If no.
c. State the amendment number
c. Date filed
d. Number of pages attached

Yes (X | No []

Colober 17, 2016

Mizka Mehre Schultz

CEO Executive Assistant



2B MAR - 3 🤉 MI-3/2/15

ASSETS

		ş	Current Year 2	3	Play Year 4
		₹ 		Net Admitted Assets	Net Admitted
ana ang pan		<u>Assets</u> 23.855,511 -	Noozdailted Asteis	<u></u>	A355616
?	Sonds (Schedula D)	23.803,511		23,639,013	
2.	Stecks (Schedule Dr			9	
	2.1 Protocols				
	2.2 Common slocks			\$	
<u>3</u> .	Montgage toans on real estate (Schedule B):				
	3. 1 Wass Bens			ő	
	3.2 Other that sist tiens			0	
đ.,	Heat entate (Schedule A):				
	4.1 Properties occupied by the company (lese \$				
	encentrations)			0	
	4.2 Properties held for the production of income tiess				
	\$ encantescorti			8	
	4.3 Properties held for table (liest 5				
				Ô	
S.	Cosh (\$ 3.305.157 . Schedula E - Part 1), cash equivalente				
	(3 . Schedula 5 - Part 2) and short-larm	a an ann ann a		2 037 (04	07 MAN 20
	investments (S M. 34) , Schedule DA)	1,845,601		3,845,501	25,833,4
ŝ.	Contract loans, (including \$ premium octes)			Ğ	
2.	Derivatives (Schedule 0/8)			0	
8.	Other invested assets (Schextuin BA)		9 1 2 1 2 1 2 2 2 2 2 2 2 2 2 2 2 2 2 2	0	
9.	Neceivables for securities			Ű	
Ю.	Securities terraing reinvested collateral assets (Schedule DL)			0	
١٤.	Aggregata write-ms for invested assets	0	\$	Ċ	
12.	Subiotais, cash and invested asserts (Lines 1 to 11)	27,701,012	0	27,701,012	25,933.4
1. 1.	Tide plants less \$ charged off flor Title insurers				
	soly)			0	
1.4	lavestreps income due and scround	67,652		87,052	
15.	Premiums and considerations:				
3.2.		1,479,646	1,256,702	222,944	
	15.1 Uncollected premiums and agains' balances in the course of collection	1 1 mar 12 1 12 mar 1	x	4-5-4-7 M	
	15.3 Defensed premisents, agents' battingers and installinents bookers but				
	delerred and not yot due (including 3				
	Barrad iza undikeć premiurst				
	15.3 Accourd terrospective promises	a. 391, 675		4,201,673	
16.	Reinsulation				
	16.1 Ámberts and version recessions	7,092,348		7,092,348	
	16.2 Fonds held by or deposited with reinsured companies			Ŭ	
	16.3 Other amounts receivable under reindurance contracts	373, 495		322.405	
32	Amounts received the relating to uninsured prem			0	
88. S	Current lederal and isneign income (as recoverigite and intensi) thereby			Q	
18.2	Net geterreg has asset			0	
(\$).	Giograniy funcis receivakie or on depaga			0	
20	Electronic data processing equipment and software	737.002		737.082	211.7
24.	Fornaum and appgment, actuating health care delivery assets				
ç. : .		362,983	362.958	Ó	
		second i di second	, waa a		
212.	Net adjustment in assists and liabibilitis due to torbigh exchange cares			0	
30.	Receivables from parent, subsidianes and affiliates				
24.	Health care (\$ 151,507) and other amounts receivable	258,906	147,299	151,507	
25.	Aggregate wite ons for other than invested assets	3,466,223	316,948	3,152,275	
86	Total assets exclusing Separate Accounts, Segregated Accounts and	400 and 31	6 545 HAR	43,738,718	13.2 × 1.2 × 1
	Protected Cell Accounts (Lines 12 to 25)	45,822,626	2,085,997	40,100,178	26,145,15
27.	From Separate Accounts, Segregated Accounts and Protected Call Accounts			0	
28.	Tolai (Lines 26 and 27)	45,822,828	2.043.907	43,738,719	28, 145, 13
	DETAILS OF WRITE-INS				
1	25.27 3 week (5 27.63 (38.63 1 3 27.63 8 (3		3		
};					
λ2.					
X3.			-		
36.	Strumary of remaining write-ms for Line 11 from overflow page	Q	0	Ő	
33.	Totols (Lines 1101 mm 1103 plus 1198)(Une 11 above)	Ó	0	6	a and a subscription of the subscription of th
21.	Solvency Loon Necelvable	3, 152, 275		3, 152, 275	
32.	Accrued Receivable	70, 560	70,560	0	
23.	Propaid Accets	103,765	103, 785	0	
et autor		42,873	142.623	×	
38.	Summary of remaining write we for Line 25 from overflow page				

2

LIABILITIES, CAPITAL AND SURPLUS Prior Year 3 3 Tess: Yota: Uncoversió Covered 5,898,601 Û 5 508,691 2. (92,232 reinsurance ceced)). Claims provid (less \$ Ċ, 0 2. Accrued medical incentive pool and banus amounts 233,000 Ô 233,900 3. Uppaid clams adjustment expenses. 4. Appregate health policy reserves, inclusing the fability of \$ 0 for medical loss ratio rabble per the Public 0 0 Health Service Act Û 3 5. Accregate He policy reserves - Q õ 6. Propenylcasually useamed premain reserves Ô 0 ? Aggregate health claim reserves 1.964.034 381.716 1.262,002 8. Premiums received in advance 2,259,574 842,090 2,259,374 9. General expenses due or account Current tederal and foreign income tax psysicle and immediate thereon. 0 0 on realized capital goins (losses)) Gectadarg % 3 0 10.2 Net selected tax liability 369,730 Q 469 (73D 11 Casing sensioned pre-monte day 2018 0 12. Amounts withinkli or relaiged for the account of piblics 0 Ğ 13. Aprediances and items not allocated (स्वरस्थ) आर्थ 14 Borrowed money (including 5 **ESSEXESS** otterest thereon \$ 15,880,047 15,980.047 16.962.245 CH4849() 0 0 16 Amounts due to parent, subsidiantes and allfilates Ô Ø 16. Cerivanves 27 17. Pavable tor securities 0 0 18. Payable for securities rending 10 Funds held under revisivance treates (with \$ 0 enauthorized akéhonteó rekisorers, ŝ 0 Ş 0 condials reinsurers) re-oxizens and \$ 3 20. Reasonance in unauthorized and conflict (\$ ť, ŝ 2.073043905 ť, Ň 21 Net advances to assess and kabilities due to foreign exchange rates 0 0 22. Laciny for amounts held upder unvisued plans 23. Appropriate write-loss for extrem leablenes (excluding \$ 0 Ó 0.8%63) 27,814,186 27,614,189 18, 186, 051 24. Total vabilitias (Lines 1 to 23) 83, 199 Ū XXX 25. Aggregate verticing for special surplus funds \times XXX XXX 26. Common capital stock $\times \times \times$ $\chi\chi\chi$ 27. Proferred capital block XXX XXX 28. Grass paid in and combuted stepaus 42,965,683 18,820,047 XXX XXX 29. Surplas notes XXX XXX Č 0 30. Aggregate write-ins for other than special surplus funds. (26,924.350) (10,720,947) XXX XXX Unassigned kinds (surplus) 32. Leas treasury clock, at cost shares common (value inclusted in Line 35 32.5 XXX XXX <u>*</u> shares proferred (value included in Line 27 32.2 ХХХ XXX \$ 18 124.532 7,958,100 XXX XXX 33. Tousi capital and surplus (Lines 25 to 31 minus Line 32). 43.738,718 28, 145, 181 XXX XXX Terai listenes, capital and surplus (Lines 24 and 33) 34 CETALS OF WRITE-INS 2361. 2302. 2363 0 0 Û 0 2398 Summary of certaining waterins for Line 23 from eventow page Ô $X \times X$ 83,109 2501, 9010 ACA Assessment $\times \times \times$ XXX XXX 3862

	- FOND - I DEED LUNED FOR BEN END IND EDDORLEND ED EDERET	A.S.M.	/ / / / . 		
	3831.	XXX	XXX		
	3002.	XXX	XXX		
	3932	×XX	XXX		
1 Contraction of the local data	3098 Summary of remaining variants for Line 30 from overlien page	XXX	XXX	\$	0
	3099. Totais (Lines 300) mrs 3003 plus 3098)(Line 30 above)	<u>XXX</u>	<u>XXX</u>	8	<u>()</u>

3

2503.

2598. Summary of remaining write ins for Line 25 from overflow page

XXX

XXX

898

XXX

 $\times \times \times$

888

()

<u> (2 10</u>6

S.

STATEMENT OF REVENUE AND EXPENSES

····. · AMARTAN -		Uncovered	2 Total	3 Total
ş.,	Member Months	×XX	\$62,632	
2 .	Net premium income (inclusing \$ non-bealth premium income)	XXX	51,525,620	
3.	Change in unearned premium reserves and reserve for rate credits	XXX	5	
â	Pee-ionservice (ner of \$ medical expenses)	XXX	8.)	
5.	Pisk revenue	XXX	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	
8	Aggregate write ins for other health care related revenues	XXX		ŝ
?	Aggragale write as for other ton-health revenues	XXX		15.000
A	(6)2: (2VE)(0.66 (1.1165 2.10 7)	×××	51.526.023	15,000
2	Hospital end Medicai : Hospital/medicai benefits		40,240,031	t na ji nensina t
¥Q.	Other protossional services		8,937	
ş :	Outside referrais			
12	Emergency roam and sub-of-area		0	
13	Prescription drugs		12.331.646	
		0	3	2%
1. ŝ.	Aggregate write-ins for other hospilish and medical	2	-	0
15.	lectrilive pool, withink adjustments and bonus amounts		3 10 100 010	
19.	Subiotal (Lines 9 to 15)	0	52,580,613	0
17	Less: Net reinsurance raceveries		3.104.580	
		~	1	
\$Å.	Total hospitel and medical (Lines 16 minus 17)	\$	43.395.633	Û
	Non-health claims (net)			
20.	Cialms adjustment expenses, including \$ 1, 174, 826 cost containment expenses		4.429.011	0
29 - C	General administrative expenses		19.041,284	7,929,516
22.	increase in reservee for the ans accident and beater contracts (including \$			
	increase in reserves for life only)		0	0
23.	Volal underwriting destactions (Lines 18 minuigh 22)	17.7 17.7	58,867,248	7,928,516
24.	Mel underwilling gain or (ross) (Lines 8 minus 23)	XXX	(15.341.225)	(7.963,516
25.	Net-investment income aerried (Exhibit of Net Investment Income, Line 17)		44,807	5,133
26	Nel riserzed capital gains (loasels) less copdat gains tax of \$		\$62	
27.	Net invesiment gams (lockae) (Lines 25 plus 26)	Q	45.769	5.113
28,	Nel gain or (loss) from agents' or premium balances charged of (lamount recovered			
	\$) (amount charged off \$))			
25)	Aggregate wite ins for other income or expenses	0	<u></u>	ô
30.	Net income or liosa) after capital gains tax and before all other tederal income raxes (Lines 24 plus 22 plus 28 plus 28)	XXX	(15,295.456)	(7.36%,403
3£.	Poderal and foreign income taxes incurred	XXX		
	Net income (loss) (Lines 30 minus 31)	XXX	(15.235.456)	(7,306,403)
	OETAILS OF WHITE-INS			
150° I.		XXX		
1902.		XXX	*******	
)(())		XXX	And a second s	
9888	Summary of remaining write-ins for Line 6 from overflow page	XXX	0	Ő
X699.	Torais (Linas (KO): Parc 6803 plus 6898)(Line 6 above)	XXX	¢.	
204.	Unrestricted Birketing Funds	XXX		15,000
202.		XXX	ada karwan	
203		ХХХ	57 - 10 - 10 - 10 - 10 - 10 - 10 - 10 - 1	
298.	Summary of remaining write-ins for Line 7 from overflow page	XXX	ô	0
799.	Tota's dines 0701 thru 0703 plus (798)(Line 7 above)		Ő	15,000
4Q)),			******	
403.			share and shares	
403.				
498.	Suramery of remaining write ins for Love 14 from overflow page	0	0	Ģ
\$9 <u>9</u> .	Tolais ILinas (401 1920 1403 pius 1493)(Line 14 above)	5	0	6
90 t.				
902.			4-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1	
903				
998.	Summary of remaining write-ris for Line 29 from overflow page	Č.	0	0
923	Totals (Lines 2901 into 2903 plus 2998)(Line 29 ahove)	0	Ó	Ô

4

STATEMENT OF REVENUE AND EXPENSES (Continued)

		Current Year	2 Prist Year
	CAPITAL AND SURPLUS ACCOUNT		
33.	Capital and surplus prior reporting year	7,950,100	(1,125,6
34,	Net income or (loss) hom Lone 32	(15,295,495)	(7, MA, 4
35	Change in valuation basis of aggregate policy and claim reserves	9 provense 1990 - 1990 - 1990 - 1990 - 1990 - 1990 - 1990 - 1990 - 1990 - 1990 - 1990 - 1990 - 1990 - 1990 - 19	
36.	Change in nationrealized capital gains (losses) leas capital gains tax of \$		
37.	Cliange in net urzealizat loreign exchange capital gain or (1055)		
38	Change in net deferred income tax		
38.	Orange in nonadmitted assets	(396.377)	(1,686,9
40	esneruarian politica and parlian politica data politica and anti-	0	
41.	Change in treasury stock	0	
\$2.	Orwage in suggius notes	24 285,636	18,680,0
43	Comulative effect of changes in accounting principles		
46	Capital Charges		
	64.3 Pati %	4(3)	
	44.9 Transferred Intern Glophus (Stock Dividanti)	đ	
	44.3 Transferred to surplus		
45	Scapius adjusements:		
	45 1 Pa.200	0	
	45.2 Transfarrad to capital (Stock Divisiond)		
	a5.3 Transferred from capital		
48.	Dividiands in stockholders		
47.	Aggragate write-inte for gains or (losses) in surplus	(427.770)	
48.	Net chaoge in capital and surplus (Lines 34 to 47)	8,160,433	9,084.7
49.	Capital and surplus end of reporting period (Line 33 plus 48)	18 124 533	7,955,1
	DETAILS OF WHITE-INS		
201.	Prior Period Adjustment	(427,770)	
762.			
703.		1.1.1.4.1.4.4444	
798.	Summary of remaining write ins for Line 47 from overflow page	00000000000000000000000000000000000000	
799.	Tagels (Lings 4701 ibru 4703 plan 4798) (Ling 47 above)	(427,770)	

5

ATTACHMENT 3

ТО

AFFIDAVIT OF KATHLEEN LACE IN SUPPORT OF PETITION FOR APPOINTMENT OF COMMISSIONER AS RECEIVER AND OTHER PERMANENT RELIEF; REQUEST FOR TEMPORARY INJUNCTION PURSUANT TO NRS 696B.270(1)



QUARTERLY STATEMENT AS OF JUNE 30, 2015

OF THE CONDITION AND AFFAIRS OF THE

NEVADA HEALTH CO-OP

NAIC Groon Code	0500 (Carneri Parod	COOD (Fisor Provide)	NAIC Company Co	48 15132	Employer's K	Number	90-0917873
Organized under the Laws o	t	Nevada	State of	Domicies or Port of Entr	у	21 28 28 28	223¢28
Country of Domicite	Unit	ed Stains of America	an ya ya ya aya a ay				
Liciensed as business type:	Urle, Accident & Healt Dental Service Corpo Other((ration() V-s 🕸	enty/Casuality n Service Corporetion 10 Federally Costified7 - Ye	Henfor	si, Medical & Dental Maintenance Organ		enty()
hexportied/Organized	The State of the S	10/30/2912	C	internet Resident		01/01/201	á
Statutory Home Office		IO MEADOWE LANE SUIT (Stree and Hotely)	No. 1996 - 1996 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 19	NOWS LANE SUITE 21	LAS VEGAS, I (Cryse Train, Stell, C		~~~~~~~~~~~
Main Administrative Office		IAS, NV, US \$9107	Contraction and the second	Yest and Humber	(192	1802-4600 Gelephone Num	,
stall Addinss		n, Lawrey and can Lawr 10 MCADOWS LANE SUIT (Same and Hamber of P.O. Oc	S.		LAS VEGAS, (Cay or Tawn, Scott) (NV, US 89103	
Primary Loxanitan of Books R	LAS VEGA	s. HV, US 86107	3346 	MSADOWS LARE SUB (Stati of Nation)		ana	nggagang sama na sa gaggan na gang) na mananang gagga na malan ta.
internet Web Sile Address	(Cdy is Them, Skik	, Cosney and In Code NEVADAHEAL THCOOL	, age			(Lalaphoon Hun	2.001 2.001
Statukovy Statement Contact		BASE, CHARLES DIE Nome: IAHEALTHCOOP ORG	SE	lagada waxaalaa ahaan	Anna Code (1989)	1)802-4680 xhone Hamberiji 1)802-4601	TRANSFER T
1		4 Access)			and a contract of the second second second second	in Bildtstat)	an a
			OFFICERS				
		NBOR PAMELA LYNN EG LINDA IRENE MAT BASIL CHARLES D NICOLE RENEE FL	TON CHIEF OPEN IBSIE CHIEF FINAL	Tige Lutive officer Ating officer Icial officer Cal officer			
			OTHERS				AUG ZA
Stale of Ne		DIRE YNN THOMPSON RAY TAYLOR JR	CTORS OR TRU		DY CARAFELU	DIV.	

CLark County of \$3

The officers of this reporting entity, being duly evern, each depose and say that they are the described officers of the sak neporting entity, and that on the reporting period stated above. all of the harein described assess were the obsolute property of the sold reporting entity, has and clear from any lease or clears therein as barein stated, and that this statement, logether with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and its blocks and of the constition and affaks of the said reporting entity as of the reporting period stated above, and of its income and deductions thereinon for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that (1) state law may differ, or, (2) that state rules or regulations require differences in reporting not retailed to accounting practices and procedures, according to the trest of their information, knowledge and brief, respectively. Furthermore, the scope of this attestation by the described officers also includes the retailed corresponding electronic filing with the NAIC, when required, this is an exact copy (except for formatting diffurences due to electronic filing) of the and/osed statement. The electronic filing may be requested by various regulators in lieu of the in addition to the enclosed statement.

ć. 4 D L G ESIMAN PAMELA LYNN EGAN BASIL CHARLES DISSIE Presed Namel (Presed Name) Printed Warne 2 ł 3. CHIEF EXECUTIVE OFFICER CHIEF FINANCIAL OFFICER (188; (Uiteri (**`**\$\$\$; Subscribed and swort lightelore me this a, la this an ceiginaí filing? Y65(X) NO(] Zal day of all grant 2015 8. H AQ 1. State the amendment number 2. 0316 1986 3 Number of pages attached Leela (Notary Public Signature)



STATEMENT AS OF JUNE 30, 2015 OF THE NEVADA HEALTH CO-OP

ASSETS

3			ment Statement Dat		144444 - 1444 - 1444 - 1444 - 1444 - 1444 - 1444 - 1444 - 1444 - 1444 - 1444 - 1444 - 1444 - 1444 - 1444 - 1444
		Assels	Nonadmilled	3 Net Admitted Assets (Cols 1 - 2)	December 31 Prox Year Net Admitted Assets
	Sorida	857,410	5.00000 j		23,855,51
2	Stocks	001,410		. 0,07,410	23,833,23
h,	21 Preferred slocks				
	2 2 Common slocks				
~					
3	Mortgage loans on real estate				
	31 Fratiliona				
,	3.2 Other than first tiens				
~	Real estate				
	4.1 Properties occupied by the company (less \$ 0				
	encumbrances)				
	4.2 Properties held for the production of income (less \$				
	encumbrances)				
	4.3 Properties held for sele (less \$0 encumbrances)				
600	Cash (\$ 7,818,076), cash equivalents (\$				
	investments (\$	12,014,392		12,014,392	3,845,50
6	Contract loans (including \$ 0 premium notes)				
7.	Denvalves				
8	Other invested assets				
9	Receivables (or secuntes				
10	Securities landing reinvasted collateral assets				
÷.	Aggragate write-ins for invested assets				
12.	Subtolats, cash and invested assets (Linea 1 to 11)	12,871,802		12,871,802	27,701,012
13.	Title plants less \$0 charged off (for Title insurers only)				
1949 1949 1949	Investment income due and accrued	1,884		(,884	67,052
15.	Premiums and considerations.		2		
	15.1 Uncollected premiums and agents' balances to the course of				
	collection	6,254,851	1,222,263	5,032,588	222,944
	15.2 Deferred premiums, agents' balances and installments booked				
	but deferred and not yet due (including \$. 0 earned but				
	urbilied providences (or one (or analysis) a consider set				
	15.3 Accrued retrospective premiums	16,200,240	**************************************	16,200,240	4,291,073
16	Rensurance:	10,200,2758		* 0,4.999,470	4,601,414
	16.1 Anounts recoverable from reinsurers	12,670,001		12,670,001	3 665 546
	16.2 Funds hold by or deposiled with reinsured companies	1 12,010,001		w.010,001	7,092,348
	16.3 Other amounts receivable under reinsurance contracts	304 000		200 202	100 × 47
17		323,405		323,405	323,405
	Amounis receivable relating to uninsured plans				
181	Current laderal and loreign income tax recoverable and interest thereon				
182	Not deterred tax asset				
9	Guaranty funds receivable or on deposit				
KQ.	Electronic data processing equipment and software	571,686		571,698	737,002
21	Furniture and equipment, including health care delivery assets			100000000000000000000000000000000000000	
	(\$ 0)	422,953	422,953	8	
2	Net adjustments in assets and liabilities due to foreign exchange rates		****		
3	Receivables from parent, subsidiaries and affiliates				
4	Health care (\$ 251,477) and other amounts receivable	582,628	331,151	251,477	151,607
5	Aggregate write-ins for other than invested assets	406,117	406,117		3,152,275
8	TOTAL assets excluding Separate Accounts, Segregated Accounts and				
	Protected Cell Accounts (Lines 12 to 25)	50,305,567	2,382,483	47,923,084	43,738,718
7	From Separate Accounts, Segregated Accounts and Protected Cell				
	Accounts				
8	TOTAL (Lines 26 and 27)	50,305,567	2,382,483	47,923,084	43,738,718
	LS OF WRITE-INS		n 200 - 1620 - 1 1997 -	er, weer a second for a	
101.					
102.	·······.		A Baginaa u	**********	
103.	Summary of the state of the sta	100 P. 100 P.			
198 100	Summary of remaining write-ins for Line (1) from overflow page				
199. 501.	TOTAL9 (Lines 1101 Uvough 1103 plus 1198) (Line 11 above) SOLVENCY LOAN RECEIVABLE	*****	NY N		4 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -
502.	ACCRUED RECEIVABLE	174,493	174 400	v ora ann\av€s	3,152,275
503. 503	PREPAID ASSETS	174,493	174,493 89.001	an d'u find a u f	
598.	Summary of remaining welle-ins for Line 25 from overflow page	142,623	142,623	(f**, 1)	
599.	TOTALS (Lines 2501 through 2503 plus 2598) (Line 25 sbove)	406,117	406,1171		3, 152,275

<u>C</u>

STATEMENT AS OF JUNE 30, 2015 OF THE NEVADA HEALTH CO-OP LIABILITIES, CAPITAL AND SURPLUS

				Phor Year		
		· · · · · · · · · · · · · · · · · · ·	2	3 Total	2 ******	
		Covered 15,027,296	Uncovered	ternetienternetienternetienternetienternetienternetienternetienternetienternetienternetienternetienternetienter	Total s coo co	
	Claims unpaid (less \$	10,027,200		15,027,286	5,608,00	
>	Accrued medical incentive pool and bonus amounts	666 × 122		12PA +44	00x 44	
	Unpaid claims adjustment expenses	869,612		869,612	233,00	
a la construcción de la construcción	Aggregate health policy reserves, including the hability of \$ 0 for medical loss mbo			10 COD 404		
	rebate per the Public Health Service Act	19,529,890		19,529,890		
5	Aggregate life policy reserves			voorde sporge		
Ő	Property/casuality unearred premium reserve			y deve aller or a		
3	Aggregale health claim reserves					
3	Promiums received in advance	2,115,524		2,115,524	1,964,03	
9	General expenses due or accrued	2,611,506		2,611,506	2,259,37	
10-1	Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses))					
10.2	Not deterred tax istnity					
4	Ceded reinsurance promums payable	634,421		634,421	569,73	
12	Amounts withheid or relained for the account of others					
13	Remitances and lems not allocated					
14	Borrowed money (including \$ 0 current) and interest liheteon \$. 0			And Andrew		
	(including \$. 0 current)				16,980,04	
15	Amounts due to parent, subsidianes and attiliates				'	
:0 :6	Penvalves					
*0 17		182		182		
	Payable for securities	*13 <u>4</u>		100		
18 	Payable fix securites lending					
ŝ	Funds held under reinsurance treaties with (\$ 0 authorized reinsurers, \$. 0					
	unauthorized reinsurers and \$ 0 certified reinsurers)					
20	Reinsurance in unauthorized and carbled (\$ 0) companies					
21	Net adjustments in assets and liabilities due to foreign exchange rates					
22	Liability for amounts held under unneured plans					
23	Aggregate write-me for other liab lides (including \$ 0 current)					
24	Total labelates (Lines 1 to 23)	40,788,422		40,788,422	27,614,18	
25	Aggregate write-ms for special surplus lunds	XXX	XXX	151,601	83,19	
28	Common capital stock	XXX	XXX			
27	Preferred cupital slock	XXX	XXX			
28	Gross pad in and contributed surplus	XXX	XXX			
29	Surplus notes	XXX	XXX	48,870,349	42,965,68	
30.	Aggregate write-ins for other than special surplus funds	XXX	ХХХ	17,080,047		
)1.	Ungesigned lunds (surplus)	XXX	XXX	(58,917,335)	(26,924,35)	
32.	Less treasury stock, at cost:	,				
	32.1	XXX	XXX			
	32.2	XXX	XXX	990 AND 100 AN		
22	Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	7,134,662	16,124,53	
34.	Total Liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	47,923,084	43,738,71	
a a ha h h h a sa a sa a sa a sa a sa a	ILS OF WRITE-INS		25 25 25.	<u></u>	794, CS757, F C	
2301.			ann an thair			
2302.						
2303.						
2398. 2399.	Summary of remaining write ins for Line 23 from overflow page TOTALS (Lines 2001 through 2303 plus 2398) (Line 23 above)					
	· · · · · · · · · · · · · · · · · · ·	XXX	XXX	151,601	83,19	
2502.	983 956 (1949) 7969 69639 69863 91 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999 - 1999	XXX	XXX	1.00 1 [NOV. 8	40 W 2 1 2 1	
503.		XXX	ХХХ			
898.	Summary of remaining write-ins for Line 25 from overflow page	ХХХ	XXX		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
6599.	TOTALS (Lines 2501 Uxoogh 2503 plus 2598) (Line 25 above)	XXX	XXX	151,801	83,19	
X001.	CMS Stan-up Loans	XXX	XXX	17,080,047		
1002. Inna		XXX XXX	XXX XXX			
3003 3098.	Summary of remaining write-ins for Line 30 from overflow page	× × × × ×	х х х Х X X			
10993.	TOTALS (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	17,080,047	*******	

03

STATEMENT AS OF JUINE 30, 2015 OF TH	ENEVADA HEALTH CO-C)P	
	STATEMENT OF	FREVENUE AN	<u>ID EXPENSES</u>

		Current Year To Date		Price Year To Date	Prior Year Encled December 31
		t Uncervented	2 Yotat	3 Total	* Total
6 X X X X X	for a Constinue	XXX	124,054		162,63
	ber Wonths premion income (including \$ 0 nort-totaëti provinum income)	XXX	47,877,767	2,0227,249	51,528,02
	RESIDUE NOTINE (RELEASED S	XXX	a contraction of the second seco		
	korentario heneren norman norman en normanene Korentario heneren 10an aneraniste	XXX	t da años		
	160-0910	XXX	No. 1999		
	regale wrie-ins for alter basilit care related revenues	XXX			10.0
	ingan minami in ann health montair i contair a contair.	XXX	1		,
U	ingene entre is no la entre entre I nevenues (Lines 2 to 7)		47.877 767	7,687,249	51,526,02
lospitai an			35,303 149	3,581,631	40,240,03
<i>,</i>	plaimsdicai benefita		\$ 294	1,118,007	. 8,83
	n professional dervices				
	skie refertais				
	urgency room and out-of-area		14 523 726	1.063,453	12,331,64
	constant dauge		5 7 9 9 9 9 9 9		
	regate write ins for allow hospital and musical				
	ntro pari, milikoid adjustments and izerus atteuents		43.836 (75)	5,763,091	52,580,51
	tarat (Lines 9 to 15)		16.3.55.697, 15.79	18, 2 1614, 1614 V	
L883(. 646 691		23 4 10 4 10 10
		****	4,066,071	** 3 Mar A 2 4	9,184,55
18 Tola	u trapilal and madecal (Lines 16 minus 17)		45,770,100	5,763,091	43,386,03
	-bealth clasms (bet)				6 . Mark 6.
20 Clau	ms adjustment expenses, including \$ 677.311 cost containment expenses		3,161,436		4,423,93
21 Gen	end administrative expenses		13,348,083	5,010,309	19,041,28
22. iva	wase in reserves for life and accident and health combacts (including \$ 0 increase				
in m	iserves for \$(e only)		15,900,000		reine gallatherrine daarg projendag yn geprodeledd i'r
23 Tota	ul anderwating deductions (Línes 18 dvraugh 22)		78 179 818	10,773,480	(6,857,74
24 Nel	underwriting (jain or (losa) (Lines 8 minus 23)	XXX	(30.301,850)	(3 686,151)	(15,341,22
25 Net	seesined iscred carrod		(124_448)	4,628	44,8(
28 Net	realized capital gains (kisses) less capital golys tax of \$		1,998		
27 Nol	investment gains or (knees) (Lines 25 plus 26)		(120.451)	4,626	45,78
28 Noi	gain or (loss) from agents' ar premium balances charged of ((amount recovered		avia more to	A Constantino de la	
\$.					
23 Aqq	pagala wrie-me i'x oftwr muxne or expenses				4,000%h0%s1044444%h0%h0%p46464497%/p2jyyy
30 Nei	income or (lose) after copusi gains tax and before all other foderal income taxes (Leves 24		4.9.5.9.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.4.		
pius	: 27 plus 28 plus 29)	XXX	(30,422,301)	(3,681,525)	(15,295,45
31 Fe6	ersi ami kwago waxwa laxes walined	<u> </u>			
	iocome (KS&) (Lenes 30 merus 31)	X	(30.422,301)	(3.681.525)	(15,295.45
2000 A 1	F WRITE-INS	XXX	<pre>{</pre>		
25.27.000	· · · · · ·	XXX	**********		
0603 .	······	XXX			
	nmary of remaining withows for Links B from overflow page TALB (Lines 0601 firmingh 0603 plue 0698) (Links B above)		······································		
an a	er gese franke never i neveriget niver frank ennen franke frank er medered.	XXX			******
		XXX XXX	nance do your		
	nmary of reinauring write uns for Line 7 from overflow page	XXX			
0799 101	[AL 9 (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX			
* 1960	· · · · · ·				
1403	·····		nanya wakating ya		
	namery of remaining write-ins for Live 14 from overflow page				*****
1499 TO 2%01	TALS (Lines 1401 brough 1403 plus 1498) (Line 14 above)			******	1
2902					
	remany of remaining write was for Line 29 from overflow page				
	nanary unavalandy white-ans for Clark 20 main overheav page . TALB {Lines 2301 (hrough 2903 plus 2568) (Line 29 above) .		···•		*********

Q4

			2	3 Dece Marco
		Current Year To Date	Prox Year To Dale	Ptior Year Ended December 31
	CAPITAL & SURPLUS ACCOUNT			
×.	Capital and surplus prior reporting year	16, 124,533	7,959,100	7,959,10
34	Net ocome or (loss) from Line 32		(3,681,525)	(15,295,456
35.	Change in valuation basis of aggregate policy and claim reserves	· · ·		
36.	Change in net unrealized capital gains (losses) lass capital gains lax of \$	0		
37.	Change in net unmalized foreign exchange capital gain or (1055)			
38.	Change in nel deferred income tax			
39.	Change in nonadmilled assets	(298,577)	893,901	(396,977
40.	Change in unauthorized and carbled reinsurance			
dade -	Change in treasury slock			
2	Change in surplus rickes	5,854,666	21,133,361	24,285,63
ŝ	Cumulative effect of changes in accounting principles	17,080,047		
44	Capital Changes			
	44.1 Padin			
	44.2 Transforred from surplus (Slock Dividend)			
	44.3 Transferred to surplus			
45	Surplus adjustments			
	45.1 Pastin			
	45.2 Transferred to capital (Slock Dividend)	****		An a gu a mana a man
	45.3 Transferred from capital			
46.	Dividends to stockholders		***	
	Aggrogate write ins for gains or (losses) in surplus	(1,203,705)	(427,770)	(427,77)
48.	Net change in capital and surplus (Lines 34 to 47)		17,917,967	8,165,43
49	Capital and surplus end of reporting period (Line 33 plus 48)	7,134,663	25,877,067	16,124,53
DETAII 4701.	LS OF WRITE-INS PRIOR YEAR ADJUSTMENT SUBSEQUENT TO THE ANNUAL FILING		(427,770)	(427,771
4702. 4703				
4798. 	Summary of remaining write ins for Line 47 from overflow page			
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	(1,293,705)	(427,770)	(427,77

STATEMENT OF REVENUE AND EXPENSES (Continued)

Q5

ATTACHMENT 4

ТО

AFFIDAVIT OF KATHLEEN LACE IN SUPPORT OF PETITION FOR APPOINTMENT OF COMMISSIONER AS RECEIVER AND OTHER PERMANENT RELIEF; REQUEST FOR TEMPORARY INJUNCTION PURSUANT TO NRS 696B.270(1)

BRIAN SANDOVAL

STATE OF NEVADA

BRUCE H. BRESLOW Director

AMY L. PARKS Acting Commissioner



(775) 687-0700 • Fax (775) 687-0787 Website: doi.nv.gov E-mail: insinfo@doi.nv.gov

August 21, 2015

Pamela Egan Chief Executive Officer Nevada Health CO-OP 3900 Meadows Lane Las Vegas, NV 89107 SENT VIA E-MAIL: pegan@nevadahealthcoop.org CERTIFIED MAIL NO. 7012 2920 0001 8639 3661

Re: Request for Reconsideration of Permitted Practice

Dear Ms. Egan:

Please accept this letter in response to your request for reconsideration of permitted practice dated August 20, 2015. On August 10, 2015, on behalf of the Nevada Health CO-OP ("NHC"), you requested that NHC be granted a permitted practice by the State of Nevada, Department of Business and Industry, Division of Insurance ("Division"), to remove from your 2015 second quarter financial statement, the liability of a \$17,080,047 debt ("Debt") for the start-up loan from the Centers for Medicare & Medicaid Services ("CMS"). The Debt is currently being treated as a long term liability in accordance with SSAP No. 15 – Debt and Holding Company Obligations. On August 14, 2015, this request was denied.

On Monday, August 17, 2015, you provided information to the Division that NHC, through a Board resolution on August 15, 2015, resolved to cease certain operations in Nevada for the 2015 plan year, withdraw its proposed 2016 health benefit plans and not seek certification, voluntarily suspend NHC's Certificate of Authority, and immediately cease and desist from selling health benefit plans in 2015. Moreover, you requested assistance from the Division in effecting a voluntary and orderly run-off for NHC's 2015 operations, recognizing that the paramount concern is for policyholders, providers, and consumers. Also on August, 17, 2015, you requested, and the Division granted, an extension until the end of business on August 21, 2015, for NHC to submit its 2015 second quarter financial statement.

Page 1 of 2

In order to accomplish a voluntary and orderly run-off of NHC's 2015 operations, you have now requested that the Acting Commissioner reconsider granting a permitted practice deviating from SSAP No. 15, and allow NHC to not report the Debt as a liability in its 2015 second quarter financial statement. This is now requested based on the Board's resolution to submit to a voluntary surrender of its Certificate of Authority, cease certain operations in Nevada, commence a voluntary and orderly run-off for its 2015 operations, and a commitment to its policyholders, providers and consumers.

The request for a permitted practice to allow NHC to not report the Debt as a liability on its 2015 second quarter financial statement is granted contingent on the following terms and conditions:

- NHC not write or solicit any new business in the state of Nevada for the 2015 plan year, withdraw its proposed 2016 health benefit plans and not seek certification of those health benefit plans, voluntarily suspend NHC's Certificate of Authority, and immediately cease and desist from selling health benefit plans in 2015; and
- NHC submit to the Division for review an approvable run-off plan by Friday, August 28, 2015; and
- NHC understands and agrees that the run-off will include supervision by the Division and cooperation with the Division and CMS in achieving an orderly runoff in the best interests of consumers.

Failure to meet any or all of the conditions as outlined above for this conditional permitted practice may result in the immediate reversion of the permitted practice such that the Debt will be treated as a long term liability post hoc for the NHC's 2015 quarterly financial statement in accordance with long term liability in accordance with SSAP No. 15 - Debt and Holding Company Obligations.

Thank you for your cooperation and commitment to the policyholders, providers, and consumers in Nevada. If any further request or extension is needed beyond the second quarter filing, a separate request to renew the permitted practice must be made in writing. Please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,

Aug 1. Part

Acting Commissioner

Omar Akel, Chief Insurance Examiner 0.





TO

PETITION FOR APPOINTMENT OF COMMISSIONER AS RECEIVER AND OTHER PERMANENT RELIEF; REQUEST FOR TEMPORARY INJUNCTION PURSUANT TO NRS 696B.270(1)

s		
1	STATE OF NEVADA DEPARTEMENT OF BUSINESS AND INDUSTRY DIVISION OF INSURANCE	
3 4 5	AFFIDAVIT OF ANNETTE JAMES IN SUPPORT OF PETITION FOR APPOINTMENT OF COMMISSIONER AS RECEIVER AND OTHER PERMANENT RELIEF; REQUEST FOR TEMPORARY INJUNCTION PURSUANT TO NRS 696B.270(1)	
6	STATE OF NEVADA)) ss: COUNTY OF CARSON CITY)	
8	I, Annette James, being duly sworn, on oath, depose and say that:	
9	1. I am a Lead Actuary for the State of Nevada, Department of Business	
10	and Industry, Division of Insurance ("Division").	
Average Sector	2. I have a Bachelor of Science in Actuarial Science, a four-year	
12	undergraduate degree from Drake University, Des Moines, Iowa. I am a Fellow of the	
13	Society of Actuaries, a member of the American Academy of Actuaries, and a Fellow of	
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	the Conference of Consulting Actuaries.	
15	I am an active volunteer in the actuarial and regulatory community. I am a	
16	member of the Health Committee of the Actuarial Standards Board ¹ ("ASB"), a member	
17	of the Health Practice International Committee and the Financial Reporting and	
18	Solvency Committee of the American Academy of Actuaries. I also serve on the AV/MV	
19	Work Group and the Risk Sharing Subcommittee of the Individual and Small Group	
20	Committee of the Health Practice Council of the American Academy of Actuaries.	
21	Additionally, I am a member of the Committee for Collaboration between the Financial	
22	Reporting and Health Sections of the Society of Actuaries.	
~~	As the Load Actuary for Life and Wealth insurance matters at the Division	i

23 As the Lead Actuary for Life and Health insurance matters at the Division,

23	3. As the Lead Actuary for Life and riealth insurance matters at the bitteren,
24	I am responsible for reviewing the actuarial reserves and actuarial assets included in
25	the financial statements and related documents filed with the Division by the Nevada
26	Health CO-OP ("CO-OP" or "Company"). I am providing this Affidavit in my capacity as
27	
28	¹ The ASB sets professional standards for the actuarial profession in the United States. -1-

1 || the Lead Actuary for Life and Health insurance matters.

4. During my review of the CO-OP's financial statements as of December 31, 2 2014, and as of March 31, 2015, I noted the significant and continuing underwriting 3 losses experienced by the CO-OP which indicates that the premiums charged were 4 insufficient. As a result, I requested that the CO-OP establish a premium deficiency 5 reserve ("PDR")² as of June 30, 2015, in accordance with Statement of Statutory 6 Accounting Principles ("SSAP") No. 54 and the applicable actuarial standards of 7 practice ("ASOP"). The CO-OP's actuaries calculated the PDR to be \$15,900,000 as of 8 June 30, 2015, and this amount was recorded on the June 30, 2015 quarterly financial 9 statements. I reviewed the calculation of the PDR and found it to be reasonable and in 10 accordance with the appropriate ASOPs. The PDR accounted for \$15,900,000 of the jana di ka \$30,422,301 loss reported as of June 30, 2015. 12

5. I also reviewed the claims unpaid liability of \$15,027,286 and found it to be a
reasonable estimate of the claims that were incurred and not yet paid as of June 30,
2015.

6. As of June 30, 2015, the CO-OP reported a receivable of \$16,200,240 as the 16 amount expected to be received from the Centers for Medicare and Medicaid Services 17 ("CMS") under the Federal Risk Corridor program. The calculations of the amounts 18 due to be paid to the CO-OP appear to be reasonable. However, since only the 19 amounts collected under this three-year program may be distributed, and CMS has not 20 yet released its initial report of the program's collections and distributions, there is 21 significant uncertainty about the timing and magnitude of the actual payments. 22 Pursuant to SSAP 107, the entire amount is currently being recognized as a receivable 23



under this program is not yet available. The collectability of the amounts receivable 1 under the Risk Corridor program is not an actuarial assumption and is, therefore, 2 beyond the scope of my review. 3

7. On September 23, 2015, the CO-OP provided the Division with draft 4 financials as of August 31, 2015. However, the actuarial items are currently under 5 review for accuracy and reasonableness. 6

8. Due to the size of the liabilities in relation to assets, the inadequacy of 7 premiums to support incurred claims and expenses, and the uncertainty surrounding 8 the collectability of large receivables, the CO-OP is unsound pursuant to NRS 9 696B.210(2). 10

9. I declare under penalty of perjury that the foregoing is true and correct based on my personal knowledge.

Annette James, FSA, MAAA, FCA,

Lead Actuary

16 17 18 SUBSCRIBED and SWORN to before me this  $\underline{35}$  day of September, 2015. 19 20 21 22 23

11

12

13

14

15





## EXHIBIT C

## TO

# PETITION FOR APPOINTMENT OF COMMISSIONER AS RECEIVER AND OTHER PERMANENT RELIEF; REQUEST FOR TEMPORARY INJUNCTION PURSUANT TO NRS 696B.270(1)



Le I	WHEKEAS, effective minieulatery, Nico shan.	
24	(1) Not write any new business or solicit any new enrollees in the state of Nevada;	
~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	(2) Continue to administer its 2015 health care plans in accordance with a run-off	
26	plan approved by the Commissioner;	
27	(3) File its annual statements and pay required fees; and	
28	(4) Complete any further items outlined by the Commissioner.	
	~] ~	
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y y y y y y y y y y y y y y y y y y y	WHEREAS, it is the policy of the Commissioner that the Certificate of Authority is not
2	transferrable and, pursuant to NRS 680A.160, remains at all times the property of the state of
3	Nevada; and
	WHEREAS, NRS 680A.160 requires that the insurer shall promptly deliver the
5	Certificate of Authority to the Commissioner upon its suspension, termination or expiration.
6	IT IS THEREFORE ORDERED that:
~	1. The Certificate of Authority of NHC, Company ID No. 119733 and NAIC ID
8	No. 15132, is hereby voluntarily suspended pursuant to NRS 695C.330, effective August 21,
9	2015, according to the above.
10	2. NHC requested a voluntary suspension and, as a result, waived its right to a
sources of the second s	hearing pursuant to NRS 695C.330.
12	3. Nothing in this Order shall prevent the Commissioner from pursuing any other
13	subsequent regulatory action as may be necessary.
14	4. NHC shall forthwith deliver to the Commissioner the Nevada Certificate of
15	Authority, Company ID No. 119733.
16	SO ORDERED this 21 st day of August, 2015.
7	$\int I d h$
18	AMY L. PARKS
1.9	Acting Commissioner of Insurance
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STATE OF NEVADA DEPARTMENT OF BUSINESS & INDUSTRY DIVISION OF INSURANCE Carson City, Nevada

Nevada ID #: 119733

THE NEVADA HEALTH CO-OP

Incorporated in the State of **NEVADA**

Home office at LAS VEGAS, NEVADA

having duly qualified, is hereby licensed to transact:

** HEALTH MAINTENANCE ORGANIZATION (NRS 695C) ** (Service Area by Counties and zip codes): Clark – All zip codes

insurance business within the State of Nevada until terminated at the request of the insurer or suspended or revoked by the Commissioner of Insurance.



Original Certificate Dated at Carson City, Nevada this 2^{μ} day of January, 2013 Competitationer/of Insurance





STATE OF NEVADA DEPARTMENT OF BUSINESS & INDUSTRY DIVISION OF INSURANCE Carson City, Nevada

Nevada ID: 119733

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insurance business within the State of Nevada until terminated at the request of the insurer or suspended or revoked by the Commissioner of Insurance.



Original Certificate Dated at Carson City, Nevada

this 2nd day of January, 2013

Amended this 3rd day of July, 2013





bernadat:	CERTIFICATE OF MAILING
2	I hereby certify that I have this day served the ORDER OF VOLUNTARY
7	SUSPENSION OF CERTIFICATE OF AUTHORITY, CAUSE NO. 15.0268, via e-mail,
4	and by mailing a true and correct copy thereof, properly addressed with postage prepaid,
5	certified mail, return receipt requested, to the following:
6	Pamela Egan
7	Chief Executive Officer Nevada Health CO-OP
8	3900 Meadows Lane Las Vegas, NV 89107
9	CERTIFIED MAIL NO. 7012 2920 0001 8639 3661 E-MAIL: pegan@nevadahealthcoop.org
10	
de accession Astronomicas	DATED this 21 st day of August, 2015.
12	
13	Employee of the State of Nevada
14	Department of Business and Industry Division of Insurance
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EXHIBIT D

TO

PETITION FOR APPOINTMENT OF COMMISSIONER AS

RECEIVER AND OTHER PERMANENT RELIEF; REQUEST

FOR TEMPORARY INJUNCTION PURSUANT TO NRS

696B.270(1)

RESOLUTION OF THE BOARD OF DIRECTORS OF NEVADA HEALTH CO-OP

The Board of Directors (the "Board") of Nevada Health CO-OP, a Nevada non-profit cooperative corporation ("CO-OP"), pursuant to Article IV.I of the CO-OP Bylaws, do hereby adopt the following resolution:

WHEREAS, pursuant to Nevada Revised Statutes Section 78.315 and Section 82.206, as well as Article IV.H. of the CO-OP's Bylaws, the Board may by resolution, passed by a majority of the Board, take action to approve and cooperate with the Nevada Department of Insurance (the "Division") in its filing for a Conservation/Rehabilitation Receivership (the "Receivership") to preserve assets during the wind-down of the CO-OP;

WHEREAS, the Board believes it is in the best interest of the CO-OP's members to cooperate with the Division in the filing for Receivership and preservation of assets during the wind-down of the CO-OP;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes and approves cooperation with the Division in the filing for Receivership and other actions as may be necessary and appropriate to preserve assets during the wind-down of the CO-OP;

BE IT FURTHER RESOLVED, that all acts and things done by any officer of the CO-OP as any of them deemed necessary or appropriate in connection with the foregoing resolutions hereby are, in all respects ratified, confirmed, approved and adopted as acts by and on behalf of the CO-OP.

Unanimously adopted by the Board of Directors as of this 25th day of September, 2015:

BOARD OF DIRECTORS

here let.

JEFF ELLIS

ITS: CHAIRMAN