

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF KINGS

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In the Matter of  
  
the Liquidation of

FREELANCERS INSURANCE COMPANY, INC.

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Index No.: 530297/2021

(Hon. Ingrid Joseph)

**AFFIRMATION**

Melissa A. Pisapia, an attorney at law, duly admitted to practice before the Courts of the State of New York, hereby affirms the following to be true under penalties of perjury:

1. I am an attorney with the New York Liquidation Bureau (“NYLB”), which serves as the staff of Adrienne A. Harris, Superintendent of Financial Services of the State of New York (“Superintendent”) in her capacity as liquidator (“Liquidator”) of Freelancers Insurance Company, Inc. (“FIC”). I submit this affirmation, upon information and belief based on my review of the FIC files maintained by the NYLB and the conversations I have had with employees of the Liquidator, in support of the Liquidator’s application for an order, inter alia, substantially in the form as the proposed order annexed hereto as Exhibit “1”, approving the allowance of the \$240 claim of the National Association of Insurance Commissioners, which is the only claim that has been filed in the case, and thereafter approving the Liquidator’s report on the status of and request to close the FIC liquidation proceeding and the financial transactions detailed in the report (“Closing Report”). A copy of the Closing Report is annexed hereto as Exhibit “2”.

**Background and the Commencement of the Liquidation Proceeding**

2. FIC was incorporated in the State of New York on January 8, 2008, as a for-profit stock corporation. FIC was wholly owned by Freelancers Union, Inc. (“Freelancers Union”), a Delaware not-for-profit corporation. FIC was licensed by the Department of Financial Services of the State of New York on November 10, 2008, as an accident and health insurer pursuant to Article

42 of the New York Insurance Law (“Insurance Law”) and commenced business operations on or about January 1, 2009.

3. On January 11, 2022, this Court granted the Superintendent’s application placing FIC into liquidation under Article 74 of the Insurance Law and, among other things, appointing the Superintendent and her successors in office as Liquidator of FIC.

4. A bar date was established for the submission of all claims and evidence supporting those claims against FIC or its insureds. The bar date was the earlier of (i) the contractual time period established for the timely submission of claims in FIC’s health plans or agreements between FIC and its network of hospitals and healthcare service providers for the provision of services to members; or (ii) six months from the entry of the liquidation order, *i.e.*, July 11, 2022 (the “Bar Date”). The Bar Date applies to all claims other than the Liquidator’s claim for administrative expenses.

5. The Liquidator now submits her report on the status of the FIC liquidation proceeding and requests authority to close the liquidation proceeding.

**Activities in Furtherance of Winding Down the FIC Estate**

6. During the pendency of the liquidation proceeding, the Liquidator has (a) taken possession of FIC’s business and assets, (b) transferred all electronic data to the Liquidator’s control, (c) reviewed all of FIC’s executory contracts; (d) reviewed claims asserted against FIC policies; (e) reviewed FIC’s liabilities; (f) and taken other steps necessary to wind down FIC’s affairs.

7. One Class Six claim from the National Association of Insurance Commissioners (the “NAIC Claim”) was filed in the liquidation proceeding on or before the Bar Date. The Liquidator has determined that this is a valid Class Six claim. Accordingly, the Liquidator recommends that

this Court allow the NAIC Claim in full, thereby entitling the NAIC to share as a Class Six creditor in the distribution of the assets of FIC.

8. Review of FIC's books and records identified certain creditors with outstanding pre-liquidation claims against FIC in the aggregate amount of \$100,507. These claims arose from rebate payments FIC made in 2014 to certain policyholders pursuant to the Medical Loss Ratio (MRL) Rebate provisions of the Affordable Care Act. Based on the books and records of FIC, these checks were never cashed and remain outstanding. Therefore, these claim amounts have been designated as restricted assets and will not be subject to distribution ("Restricted Assets"). Rather, the Restricted Assets will be set aside in a segregated account pending closure of the estate, and thereafter handled in accordance with New York Abandoned Property Law.

9. Upon the closing of the liquidation proceeding, all monies, except for the Restricted Assets, left over after payment of the Class One claim for administrative expenses and the Class Six claim will be distributed to Freelancers Union as the sole shareholder with a Class Nine claim.

**Relief Sought.**

10. The Liquidator proposes that notice of the Order to Show Cause and its supporting papers be given by: (i) USPS First-Class mail to the National Association of Insurance Commissioners at P.O. Box 87-9135, Kansas City, Missouri, 64187-9135 and 1100 Walnut Street, Suite 1500, Kansas City, Missouri, 64106-2197 at least ten (10) days before the Return Date; and (ii) posting on the Legal and Estates Notices Section of the Internet web page maintained by the NYLB at <http://www.nylb.org> within five (5) days of the entered Order to Show Cause being posted to the New York State Courts Electronic Filing (NYSCEF) system.

11. No previous application for the relief sought herein has been made to this or any other court of judge thereof.

WHEREFORE, it is respectfully requested that the Court issue an order substantially in the form as the proposed order annexed hereto as Exhibit "1": (i) approving the Closing Report and the financial transactions delineated therein; (ii) authorizing the continued payment of actual and necessary administrative expenses, if any, including such expenses pertaining to the closing of the liquidation proceeding; (iii) approving the recommendation made by the Liquidator to allow the Class Six claim submitted in the liquidation proceeding, entitling the NAIC to share as a Class Six creditor in the distribution of the assets of FIC; (iv) authorizing the Liquidator to distribute FIC's assets, except for the Restricted Assets, consistent with the priorities set forth in Insurance Law Section 7434, to those creditors of FIC with allowed claims; (v) terminating and closing the liquidation proceeding; (vi) authorizing the Liquidator, upon the closing of the liquidation proceeding, to distribute to Freelancers Union as the Class Nine shareholder, all assets remaining after payment of administrative expenses and claims, except for the Restricted Assets, and to handle the Restricted Assets in accordance with New York Abandoned Property Law; (vii) authorizing the Liquidator to receive and disburse, without further application to this Court, any receipts that are received after the termination of the liquidation proceeding; (viii) authorizing the Liquidator, after termination of the liquidation proceeding and without further order of this Court, to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the FIC estate; and (ix) releasing and discharging the Liquidator, her predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts or omissions in connection with the liquidation proceeding.

Dated: New York, New York  
October 20, 2022

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Melissa A. Pisapia

L33604/Report

# **EXHIBIT 1**

At IAS Part 83 of the Supreme Court of the State of New York, County of Kings, at the Courthouse located at 360 Adams Street, Brooklyn, New York, New York, on the \_\_\_ day of \_\_\_\_\_, 2022.

P R E S E N T:

HON. INGRID JOSEPH, J.S.C.

SUPREME COURT OF THE STATE OF NEW YORK  
COUNTY OF KINGS

-----X

In the Matter of

Index No.: 530297/2021

the Liquidation of

**ORDER**

FREELANCERS INSURANCE COMPANY, INC.

-----X

Upon the motion of the Superintendent of Financial Services of the State of New York, as liquidator (“Liquidator”) of Freelancers Insurance Company, Inc. (“FIC”) for an order, *inter alia*: (i) approving the Liquidator’s report on the status of and request to close the FIC liquidation proceeding (the “Closing Report”) and the financial transactions detailed in the Closing Report, a copy of which is annexed as Exhibit “2” to the affirmation of Melissa A. Pisapia; (ii) authorizing the continued payment of actual and necessary administrative expenses, if any, including such expenses pertaining to the closing of the FIC liquidation proceeding; (iii) approving the recommendation made by the Liquidator to allow the Class Six claim submitted in the liquidation proceeding, entitling the National Association of Insurance Commissioners to share as a Class Six creditor in the distribution of the assets of FIC; (iv) authorizing the Liquidator to distribute FIC’s assets, except for the Restricted Assets, consistent with the priorities set forth in Insurance Law Section 7434, to those creditors of FIC with allowed claims; (v) terminating and closing the liquidation proceeding (vi) authorizing the Liquidator, upon the closing of the liquidation

proceeding, to distribute to Freelancers Union, Inc. as the Class Nine shareholder, all assets remaining after payment of administrative expenses and claims, except for the Restricted Assets, and to handle the Restricted Assets in accordance with New York Abandoned Property Law; (vii) authorizing the Liquidator to receive and disburse, without further application to this Court, any receipts that are received after the termination of the liquidation proceeding; (viii) authorizing the Liquidator, after termination of the liquidation proceeding and without further order of this Court, to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the FIC estate; and (ix) releasing and discharging the Liquidator, her predecessors and successors in office, and their agents, attorneys and employees, from any and all liability arising from their acts or omissions in connection with the liquidation proceeding.

NOW, on the motion of the Liquidator, and no opposition having been filed with the Court, it is;

**ORDERED**, that the application is granted; and it is further

**ORDERED**, that the Closing Report and the financial transactions detailed in such report are approved; and it is further

**ORDERED**, that continued payment of actual and necessary administrative expenses, if any, including such expenses pertaining to the closing of the FIC liquidation proceeding is authorized; and it is further

**ORDERED**, the Liquidator's recommendation to allow the Class Six claim submitted in the liquidation proceeding, entitling the National Association of Insurance Commissioners to share as a Class Six creditor in the distribution of the assets of FIC, is approved; and it is further

**ORDERED**, the Liquidator is authorized to distribute FIC's assets, except for the Restricted Assets, consistent with the priorities set forth in Insurance Law Section 7434, to those creditors of FIC with allowed claims; and it is further

**ORDERED**, that the liquidation proceeding is terminated and closed; and it is further

**ORDERED**, that upon the closing of the liquidation proceeding, the Liquidator is authorized to distribute to Freelancers Union, Inc. as the Class Nine shareholder, all assets remaining after payment of administrative expenses and claims, except for the Restricted Assets and is authorized to handle the Restricted Assets in accordance with New York Abandoned Property Law; and it is further

**ORDERED**, that the Liquidator is authorized to receive and disburse, without further application to this Court, any receipts that are received after the termination of the liquidation proceeding; and it is further

**ORDERED**, that the Liquidator, after termination of the liquidation proceeding and without further order of this Court, is authorized to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the FIC estate; and it is further

**ORDERED**, that the Liquidator, her predecessors and successors in office, and their agents, attorneys, and employees, are released and discharged from any and all liability arising from their acts or omissions in connection with the liquidation proceeding.

E N T E R

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J.S.C.

# **EXHIBIT 2**

**REPORT ON THE STATUS OF AND REQUEST TO CLOSE THE LIQUIDATION  
PROCEEDING OF FREELANCERS INSURANCE COMPANY, INC.**

**INTRODUCTION**

Adrienne A. Harris, Superintendent of Financial Services of the State of New York (“Superintendent”) as liquidator (“Liquidator”) of Freelancers Insurance Company, Inc. (“FIC”) has appointed David Axinn as Special Deputy Superintendent and Agent of the Liquidator and other Agents, to carry out, through her staff at the New York Liquidation Bureau (“NYLB”), the responsibilities of the Liquidator.

FIC was placed into liquidation under Article 74 of the New York Insurance Law (“Insurance Law”) on January 11, 2022, by order of the Supreme Court of the State of New York, New York County (NYSCEF Doc. No. 14). The Liquidator submits this report (“Closing Report”) to apprise the Court on the status of the liquidation proceeding and to respectfully request that the Court enter an order, *inter alia*, substantially in the form of the proposed order annexed as Exhibit “1” to the accompanying affirmation of Melissa A. Pisapia, approving the allowance of the \$240 claim of the National Association of Insurance Commissioners (“NAIC Claim”), which is the only claim that has been filed in the case, and thereafter approving the Closing Report and the financial transactions detailed herein thereby terminating and closing the FIC liquidation proceeding.

**BACKGROUND**

FIC was incorporated in the State of New York on January 8, 2008, as a for-profit stock corporation. FIC was wholly owned by Freelancers Union, Inc. (“Freelancers Union”), a Delaware not-for-profit corporation. FIC was licensed by the Department of Financial Services of the State of New York (“DFS”) on November 10, 2008, as an accident and health insurer pursuant to Article 42 of the Insurance Law and commenced business operations on or about January 1, 2009.

Concurrent with its licensing, FIC was permitted, until January 1, 2010, to provide health insurance coverage exclusively to the members of Freelancers Union. The members of Freelancers Union consisted of independent workers who resided or worked in New York State. In October, 2009, FIC sought permission from DFS to continue to limit its enrollment to members of Freelancers Union, and DFS approved that application on December 7, 2010.

As of January 1, 2014, in accordance with the federal Affordable Care Act, FIC's insurance plans ("Plans") were opened to the public. FIC offered five plan options for its subscribers: three PPO plans and two high deductible plans. Further, in 2014, FIC added four additional PPO-type individual plans that were available for direct purchase through the New York State Health Benefits Exchange (officially called "NY State of Health"), in compliance with the Affordable Care Act. FIC was authorized to operate only in the state of New York.

After FIC suffered significant losses in 2014, DFS approved FIC's request to withdraw from the New York health insurance market. Effective December 31, 2014, FIC ceased writing business. Since January 1, 2015, FIC had no enrolled subscribers or premium revenue, and FIC had not paid any claims activity since December 31, 2017.

Between May 2018 and February 2020, FIC hired a broker to pursue the sale of the company, but the broker was unable to find a buyer. As a result, by written resolution dated March 25, 2020, FIC's directors consented to the entry of an order of liquidation pursuant to Insurance Law Article 74.

The order placing FIC into liquidation provided that all creditors and claimants were required to present claims and any evidence of their claims to the Liquidator by the earlier of (i) the contractual time period established for the timely submission of claims in all Plans or agreements between FIC and its network of hospitals and healthcare service providers for the

provision of services to members; or (ii) six months of the liquidation order date, *i.e.*, July 11, 2022 (the “Bar Date”).

By setting a Bar Date, the Court allowed sufficient time for any creditors or claimants to assert any type of claim against FIC. To date, no claims other than the Liquidator’s administrative expenses and the NAIC Claim have been submitted to the Liquidator.

Freelancers Union was the 100 percent shareholder of FIC. Because FIC has only one creditor, any assets remaining after the payment of Class One through Class Eight will be paid to Freelancers Union as a Class Nine shareholder under Insurance Law § 7434 upon closing of the estate. There is no further action that the Liquidator needs to take to close the estate.

The priority of distribution of assets from a liquidating insurer is set forth in Insurance Law Section 7434, which provides that all members of a senior class be paid in full before the members of the next class may receive any payment. The classes of claims, as provided for in the prioritization scheme established by Insurance Law Section 7434, are as follows:

Class One – Administrative Claims

Claims with respect to the actual and necessary costs and expenses of administration incurred by the Liquidator;

Class Two – Claim and Related Costs

All claims under policies including claims of the federal, state or local government for losses incurred, third-party claims, claims for unearned premiums, and all claims of the security fund guaranty associations, but excluding claims arising under reinsurance contracts;

Class Three – Federal and Government Claims

Claims of the federal government, except those stated above in Class two;

Class Four – Employee Claims

Claims for wages owing to employees of an insurer against whom an Article 74 proceeding is commenced and claims for unemployment insurance contributions required by Article 18 of the New York Labor Law;

Class Five – State and Local Government Claims

Claims of state and local governments, except those stated above in Class two;

Class Six – General Creditor Claims

Claims of general creditors, including, but not limited to, claims under reinsurance contracts;

Class Seven – Late Filed Claims

Claims filed late or any other claims other than claims under Class eight or Class nine below;

Class Eight – Section 1307 Loans

Claims for advanced or borrowed funds made pursuant to Insurance Law Section 1307; and

Class Nine – Shareholder Claims

Claims of shareholders or other owners in their capacity as shareholders

Because the Bar Date has passed, no additional claims against the FIC estate may be presented to the Liquidator. The Liquidator has incurred and not paid administrative expenses in the amount of \$3,660. To date, other than the Liquidator's administrative expenses, the only claim submitted to the Liquidator was the general unsecured \$240 claim of the NAIC for filing fees. The Liquidator has determined that this is a valid Class Six claim. Accordingly, the Liquidator recommends that this Court allow the NAIC Claim in full, thereby entitling the NAIC to share as a Class Six creditor in the distribution of the assets of FIC. If the NAIC Claim is allowed, then all claims have been resolved and, respectfully, it is in the best interests to close the estate.

The Liquidator reviewed the books and records of FIC and identified certain creditors with outstanding pre-liquidation claims against FIC in the aggregate amount of \$100,507. These claims arose from rebate payments FIC made in 2014 to certain policyholders pursuant to the Medical Loss Ratio (MLR) Rebate provisions of the Affordable Care Act. Based on the books and records of FIC, these checks were never cashed and remain outstanding. Therefore, these claim amounts have been designated as restricted assets and will not be subject to distribution ("Restricted Assets"). Rather, the Restricted Assets will be set aside in a segregated account pending closure of the estate, and thereafter handled in accordance with New York Abandoned Property Law.

Freelancers Union was the 100 percent shareholder of FIC. The Liquidator believes that the estate has sufficient funds to pay administrative claims and the NAIC Claim in full. Any distributions of monies, except for the Restricted Assets, over and above the payment of the Class One claim for administrative costs and the Class Six claim will be paid to Freelancers Union as a Class Nine claim under Insurance Law § 7434 upon closing of the estate. Given that all creditors will be paid in full, there is no further action that the Liquidator needs to take to close the estate.

### **FINANCIAL REPORT**

FIC's Statement of Assets and Liabilities as of September 30, 2022, and the Statement of Changes in Cash and Invested Assets (collectively, "Financial Statements") are attached hereto collectively as Exhibit "A".

#### **A. As of September 30, 2022**

FIC's records reflect total assets of \$2,436,212 and total liabilities of \$104,407.

##### **1. Disbursements**

As of September 30, 2022, the Liquidator set aside \$100,507 for Restricted Assets into a segregated account, and incurred and paid \$50,787 in administrative expenses, which include: \$16,497 for professional fees (*e.g.*, accountants to prepare financial statements and other consultants for litigation support); \$13,708 for salaries of the Liquidator's staff and related payroll taxes; \$9,264 for general and administrative expenses (*e.g.*, insurance, office equipment and supplies, printing, postage and telephone services); \$8,132 for employee relations and welfare; and \$3,186 for rent and related expenses. As of September 30, 2022, total disbursements were \$50,787.

**2. Liabilities**

As of September 30, 2022, FIC's records reflect total liabilities in the amount of \$104,407, which consists of \$100,507 set aside for Restricted Assets claims, \$3,660 reserved by the Liquidator for incurred but not paid administrative costs and expenses and \$240 for a Class Six claim, *i.e.*, the NAIC Claim.

**3. Distribution of Assets**

Upon closing of the liquidation proceeding, all monies, except for the Restricted Assets, left over after payment of the administrative expenses and the general unsecured creditor claim will be distributed to Freelancers Union as the sole shareholder with a Class Nine claim. The Restricted Assets will be set aside in a segregated account and handled in accordance with New York Abandoned Property Law.

**RELIEF SOUGHT**

The Liquidator submits this Closing Report to report that the affairs of the FIC liquidation proceeding have been completed and that, respectfully, it is in the best interests of the estate to close the liquidation proceeding at this time under the terms and conditions outlined herein. Accordingly, the Liquidator respectfully requests that the Court issue an order:

1. Approving the Closing Report and the financial transactions delineated herein;
2. Authorizing the continued payment of actual and necessary administrative expenses, if any, including such expenses pertaining to the closing of the liquidation proceeding;
3. Approving the recommendation made by the Liquidator to allow the Class Six claim submitted in the liquidation proceeding, entitling the NAIC to share as a Class Six creditor in the distribution of the assets of FIC;
4. Authorizing the Liquidator to distribute FIC's assets, except for the Restricted Assets, consistent with the priorities set forth in Insurance Law Section 7434, to those creditors of FIC with allowed claims;

5. Terminating and closing the liquidation proceeding;
6. Authorizing the Liquidator, upon the closing of the liquidation proceeding, to distribute to Freelancers Union as the Class Nine shareholder, all assets remaining after payment of administrative expenses and claims, except for the Restricted Assets, and to handle the Restricted Assets in accordance with the New York Abandoned Property Law;
7. Authorizing the Liquidator to receive and disburse, without further application to this Court, any receipts that are received after the termination of the liquidation proceeding;
8. Authorizing the Liquidator, after termination of the liquidation proceeding and without further order of this Court, to destroy or otherwise dispose of any and all of the books, files, records (paper or electronic) and other property of the FIC estate; and
9. Releasing and discharging the Liquidator, her predecessors and successors in office, and their agents, attorneys, and employees, from any and all liability arising from their acts or omissions in connection with the liquidation proceeding.

Dated: New York, New York  
October 19, 2022



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David Axinn  
Special Deputy Superintendent and  
Agent of Adrienne A. Harris  
Superintendent of Financial Services  
of the State of New York as Liquidator of  
Freelancers Insurance Company, Inc.

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# **EXHIBIT A**

<b>FREELANCERS INSURANCE COMPANY, INC.</b>	
<b>Statement of Assets</b>	
	<u>As Of</u> <u>September 30, 2022</u>
<b>Unrestricted Assets</b>	
Cash & Invested Assets	\$ 2,325,076
Interest Due and Accrud	10,629
<b>Total Unrestricted Assets</b>	<u>2,335,705</u>
<b>Restricted Assets</b>	100,507
<b>Total Assets</b>	<u>\$ 2,436,212</u>

<b>FREELANCERS INSURANCE COMPANY, INC.</b>	
<b>Statement of Liabilities</b>	
	<u>As Of</u> <u>September 30, 2022</u>
<b>Liabilities:</b>	
Claims Against Restricted Assets	\$ 100,507
Class I - Administrative Claims	3,660
Class 6 - General Creditors Claims	240
<b>Total Liabilities</b>	<u>104,407</u>
<b>Surplus</b>	
Class 9 - Shareholder Claims	2,331,805
<b>Total Liabilities and Surplus</b>	<u>\$ 2,436,212</u>

<b>FREELANCERS INSURANCE COMPANY</b>	
<b>Statement of Changes in Cash and Invested Assets</b>	
<b>For the Period January 11, 2022 to September 30, 2022</b>	
	<u>As Of</u> <u>September 30, 2022</u>
<b>Investment Income</b>	<u>\$ 20,818</u>
<b>Disbursements:</b>	
Professional Fees	16,497
Salaries & Related Payroll Taxes	13,708
General & Administrative Fees	9,264
Employee Relations and Welfare	8,132
Rent and Related Expenses	3,186
<b>Total Disbursements</b>	<u>50,787</u>
<b>Net Decrease in Cash</b>	<u>(29,969)</u>
<b>Unrealized loss on Invested Assets</b>	(68,296)
<b>Cash at Liquidation January 11, 2022</b>	2,423,341
<b>Cash and Invested Assets at September 30, 2022</b>	<u>\$ 2,325,076</u>