

Cause No. GN-23-001549

TEXAS DEPARTMENT OF
INSURANCE,
Plaintiff,

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IN THE DISTRICT COURT OF

v.

TRAVIS COUNTY, TEXAS

FRIDAY HEALTH INSURANCE
COMPANY, INC.
Defendant.

345th JUDICIAL DISTRICT

Filed in the District Court
of Travis County, Texas

AGREED ORDER OF REFERENCE TO MASTER

MAR 23 2023 JG

I. FINDINGS

At 3:50 P.M.
Velva L. Price, District Clerk

This case is a delinquency proceeding brought against an insurer pursuant to Texas Insurance Code Chapter 443. Insurance receiverships are inherently exceptional cases requiring expert review by the Receivership Court. Insurance Code Chapter 443 imposes a duty on the Receivership Court to direct and approve numerous complex actions during the delinquency proceeding. Therefore, to provide the requisite judicial supervision of this proceeding, the Court finds that it is necessary to appoint a master herein under Rule 171 of the Texas Rules of Civil Procedure. The Court further finds that both the State of Texas and the Receiver for the Defendant have consented to the appointment of a master, and that the Receiver has consented to the payment of the master's reasonable fees and expenses from the assets of the receivership estate.

II. APPOINTMENT

Tom Collins, Texas State Bar No. 04619800, 106 White Dove, Horseshoe Bay, Texas, 78657, (512) 971-3172, is appointed as master in this proceeding. He is not an

attorney for any party. He is not related to any party. He is qualified by education and experience to serve as a master.

III. POWERS

The master shall make recommendations to the Court regarding the matters listed below, with references to the applicable provisions of the Insurance Code:

1. Sec. 443.005: Motions filed under subsection (e) to stay proceedings.
2. Sec. 443.007: Motions filed under subsection (g) to require an objecting party to pay the costs and fees of defending an action.
3. Sec. 443.008: Motions filed under subsection (a) for orders or stays to carry out Chapter 443 or an approved rehabilitation plan, except for temporary restraining orders and injunctions; motions filed under subsection (d) to extend a stay; motions filed under subsection (h) for relief, termination, annulment, modification, or conditioning of a stay; and motions filed under subsection (k) for sanctions for a violation of a stay.
4. Sec. 443.014: Applications filed under Subsection (l) to approve the payment of any settlement submitted to the Court for approval.
5. Sec. 443.015: Applications filed under Subsection (c) to approve the compensation and expenses of the Special Deputy Receiver and any contractors or establish thresholds for court approval for such compensation and expenses; applications filed under Subsection (d) to approve compensation, anticipated expenses, or incurred expenses; and applications filed under Subsection (g) to establish reporting periods.

6. Sec. 443.016: Requirements under Subsection (b) for financial reporting.
7. Sec. 443.056: Motions filed under Subsection (d) to terminate confidentiality obligations.
8. Sec. 443.151: Motions filed under Subsection (b) to fix rights.
9. Sec. 443.152: Applications filed under Subsection (b) for orders continuing coverage, and applications filed under Subsection (d) approving the transfer of policies or annuities.
10. Sec. 443.153: Applications filed under Subsection (a) to sell or dissolve the corporate entity or charter of the insurer.
11. Sec. 443.154: Applications filed under Subsection (c) to appoint an advisory committee; applications filed under Subsection (h) to determine liabilities under transferred policies, surety bonds or undertakings; applications filed under Subsection (p) to invest funds; applications filed under Subsection (y) to sell or abandon property, establish thresholds for Court approval, or transfer rights to reinsurance payments.
12. Sec. 443.155: Applications filed under Subsections (a) or (b) to approve the notice of liquidation, and applications filed under Subsection (e) regarding notice by publication.
13. Sec. 443.201: Motions filed under Subsection (b) to determine entitlement to property; motions filed under Subsection (c) claiming a right to retain property; and motions filed under Subsection (d) requesting the delivery of the property.

14. Sec. 443.203: Motions filed under Subsection (b) to determine remedies for a transferee or obligee of a voided transfer or obligation.
15. Sec. 443.204: Motions filed under Subsection (i)(2) regarding the preservation of a lien or the execution of a conveyance, and motions filed under Subsection (i)(3) to determine the value of the property or lien.
16. Sec. 443.207: Motions filed under Subsection (e) for the recovery of property or its value.
17. Sec. 443.208: Motions filed under Subsection (a) to extend the time to deliver money or property after the entry of a final judgment.
18. Sec. 443.210: Applications filed under Subsection (b) to approve assessments, or for an order to show cause; applications filed under Subsection (e) for orders directing the method of notice; and motions filed under Subsection (f) or (g) for orders determining the liability of a member.
19. Sec. 443.211: Motions filed under Subsection (d) to approve expenses of a reinsurer.
20. Sec. 443.213: Applications filed under Subsection (d) to allocate collateral to secure a deductible agreement and other obligations.
21. Sec. 443.251: Applications filed under Subsection (a) to extend the claims filing deadline, allow alternative procedures and requirements for filing, allowing, or proving claims, and dispense with the requirements of filing a proof of claim; and applications filed under Subsection (c) to set a date before which all late claims must be submitted.

22. Sec. 443.253: Applications filed under Subsection (h) to disallow claims for de minimis amount, and applications filed under Subsection (k) for handling claims if there are insufficient assets.
23. Sec. 443.255: Applications filed under Subsection (b) for orders directing the allowance of contingent claims, and applications filed under Subsection (c) for orders setting a date before which contingent claims must be finalized.
24. Sec. 443.257: Hearings on objections to the proposed treatment of claims, if the master determines that a recommendation will promote judicial economy or consistency, or if the matter will substantially affect the delinquency proceeding.
25. Sec. 443.258: Applications to approve reports of claims.
26. Sec. 443.301: Applications filed under Subsection (j) to allow interest on claims.
27. Sec. 443.302: Applications filed under Subsection (a) to declare and pay distributions, and applications filed under Subsection (c) to distribute and determine value of property.
28. Sec. 443.303: Applications filed under Subsection (c) for early access disbursements, and applications filed under Subsection (i) to offset a deposit or asset from the disbursement.
29. Sec. 443.304: Motions filed under Subsection (b) for orders approving the disposition of unclaimed funds and determining the notice of hearing, and motions filed under Subsection (d) for orders determining the priority of a claim for funds advanced.

30. Sec. 443.352: Applications for orders terminating the liquidation proceeding, discharging the liquidator, and any related orders.
31. Sec. 443.353: Applications for orders reopening the liquidation proceeding.
32. Sec. 443.354: Applications for orders directing the disposition of records.
33. Sec. 443.355: External audits of the records of the receivership as ordered by the Court.
34. Any matters related to the application, enforcement, and extension of the stay provided by Insurance Code § 463.404.
35. Any other matters submitted to the Court to approve an action by the Receiver or Special Deputy Receiver, and any other specific questions referred by the Court.

The master is further authorized to make recommendations to the Court regarding hearings on objections to the Liquidator's proposed treatment of claims under Insurance Code § 443.257. The master may hear any such matter if he determines that doing so will be in the interests of judicial economy, will promote consistency, or if a decision on the matter will affect the delinquency proceeding. If the master determines that the matter should be heard by the Court without the necessity of a recommendation, he may request that a District Court Judge hear the matter.

The master is further authorized to conduct conferences or hearings regarding the status of the delinquency proceeding, at his discretion.

IV. PROCEEDINGS

The parties must proceed before the master regarding any matter referred to the master, provided that the master, in his discretion, may request that a District Court Judge hear any matter referred to him under this order. The master may consider the matter by oral hearing or written submission in accordance with the terms of this Order.

The Court finds that it is necessary and proper for the master to regulate proceedings before him pursuant to Rule 171 of the Texas Rules of Civil Procedure. The Court therefore adopts the following procedures of practice, which shall apply to any applications or motions filed in this proceeding as specified in this Order, unless otherwise provided by law:

1. Any application or motion within the terms of this Order must be served on the master through his docket clerk, and on all interested parties as determined by the master. The master shall ensure that proper notice is given to all interested parties. The master may consider matters presented to him by submission or oral hearing and shall establish a docket schedule for the submission and hearing of such matters.
2. At any oral hearing, the master may hear argument and testimony, and admit or exclude evidence as permitted under Rule 171 of the Texas Rules of Civil Procedure. Such authority shall include, without limitation, the exclusion of any argument or evidence that is not raised in a timely filed objection.

3. The master shall hear all matters in a hearing room at the Texas Department of Insurance designated for that purpose by the Commissioner of Insurance.
4. Pursuant to Rule 171 of the Texas Rules of Civil Procedure, and the discretion granted to the Court under Insurance Code § 443.007(e) to determine the period for filing objections, the following procedures and deadlines are established:
 - (a) The Applicant shall file an application or motion with the Travis County District Clerk and provide notice thereof to all interested parties at least fourteen (14) calendar days before the date on which the matter is set on the master's docket, unless the Applicant requests an expedited hearing for good cause. The Applicant shall give notice of the date on which the matter is set on the master's docket.
 - (b) The deadline for the filing of an objection or response shall be not later than three (3) calendar days before the date on which the matter is set on the master's docket, unless the master authorizes additional time for the filing of an objection, or the Applicant and the objecting party otherwise agree. Any party responding or objecting to an application must file such response or objection with the Travis County District Clerk and serve a copy by such date on the master through his docket clerk and on all interested parties, including those listed on the Applicant's Certificate of Service. The written objection must specify the

basis for the objection, with references to and discussion of supporting legal authority.

- (c) If a matter is set for submission, an objecting party shall expeditiously coordinate with Applicant's counsel and the master's docket clerk to obtain an oral hearing, unless the master determines that an oral hearing is not necessary. The objecting party shall serve a Notice of Oral Hearing on applicant's counsel and all interested parties, including those listed on the Applicant's Certificate of Service.
- (d) The master shall promptly report his recommendation to the Court and submit a proposed order. If no objection is timely filed to the application or motion as set forth above, the Court may enter the proposed order upon its submission to the Court by the master. If an objection is timely filed to the application or motion as set forth above, notice of the recommendation and order shall be provided by the master's docket clerk to the Applicant and the objecting party. If any party objects to the master's recommendation, the party shall file its objection within ten (10) days of the submission of the recommendation and proposed order to the Court, and set a hearing before the District Court Judge. A copy of any objection with notice of hearing shall be served on the master and all interested parties.
- (e) If one or more guaranty associations are involved in the proceeding, the guaranty association or its representative shall file an Acknowledgment

of Notice and Waiver of Objection if it does not object to the application or motion. Any Acknowledgment of Notice and Waiver of Objection should be filed at least three (3) calendar days before the date on which the matter is set on the master's docket.

V. ASSISTANCE TO THE MASTER

The District Clerk, the Receiver, and any Special Deputy Receiver are ORDERED to provide reasonable clerical and other assistance the master deems necessary to perform his duties. Any such expenses shall be payable as a cost of administration, Class 1 priority, pursuant to Insurance Code § 443.301(a).

VI. COMPENSATION

The master shall be compensated for his time at \$200.00 an hour and shall be reimbursed for his costs up to \$500.00 per month. The master shall contemporaneously record the time worked on this delinquency proceeding and shall periodically submit one certified statement of time and costs for all receivership proceedings. The master's statement shall be reported by the Receiver or the Special Deputy Receiver and shall be reported to the Court under Insurance Code § 443.015 (g).

The Receiver, Special Deputy Receiver, or any interested party may file with the Court an objection to any item in the master's statement, and set a hearing before the District Court. A copy of the objection with notice of hearing shall be served on the master. If an objection is filed, the Receiver or Special Deputy Receiver may withhold payment for only time or costs in dispute. Items that are not subject to an

objection shall be paid within thirty (30) days of submission of the master's statement. Items that are subject to an objection that is overruled shall be paid within thirty (30) days of the date on which the objection is overruled.

The master's statement shall be taxed as court costs and charged to the receivership estate. The Receiver or Special Deputy Receiver shall treat this taxable court cost as a cost of administration, Class 1 priority, pursuant to Insurance Code § 443.301(a).

SIGNED at Austin, Travis County, Texas on this the 13th day of MARCH, 2023, at 3:40 o'clock P.m..


DISTRICT JUDGE PRESIDING
Amy CLARK NEETHUM

AGREED AS TO FORM ONLY:

/s/ Zachary Rhines

KEN PAXTON

Attorney General of Texas

ZACHARY RHINES

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TEXAS DEPARTMENT OF INSURANCE

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