

CAUSE NO. D-1-GN-23-001549

THE TEXAS DEPARTMENT OF INSURANCE, <i>Plaintiff,</i>	§ § § § § § § § §	IN THE DISTRICT COURT OF    TRAVIS COUNTY, TEXAS   345th JUDICIAL DISTRICT
v.		
FRIDAY HEALTH INSURANCE COMPANY, INC. <i>Defendant.</i>		

**APPLICATION FOR APPROVAL OF RECEIVERSHIP SERVICE PROVIDER**

COMES NOW, CANTILO & BENNETT, L.L.P., the Special Deputy Receiver of Friday Health Insurance Company, Inc. (“FHIC”), and files its *Application for Approval of Receivership Service Provider* (the “Application”).

**I. BACKGROUND**

1.1. On March 23, 2023, the Court entered an *Agreed Order Appointing Liquidator, Permanent Injunction, and Notice of Automatic Stay* appointing the Texas Commissioner of Insurance as Liquidator of FHIC. Effective March 23, 2023, the Texas Commissioner of Insurance, as Liquidator, appointed CANTILO & BENNETT, L.L.P. as Special Deputy Receiver of FHIC.

**II. JURISDICTION**

2.1. This Court has jurisdiction over the subject matter of this Application and of the parties herein pursuant to TEX. INS. CODE § 443.005.

**III. STATUTORY AUTHORITY**

3.1 The SDR is authorized to file this Application pursuant to TEX. INS. CODE § 443.015, which provides for the approval of the SDR’s expenses and compensation by the Court. The subject matter of this Application has been referred to the Special Master appointed in this

proceeding in accordance with the Agreed Order of Reference to Master entered on March 23, 2023.

#### **IV. BASIS FOR APPLICATION**

4.1 TEX. INS. CODE § 443.015(c)(2) requires the Receiver to submit an application for the approval of any “anticipated expense in excess of \$25,000, or such another amount established by the Court. In addition, TEX. INS. CODE § 443.015(d) permits the Receiver, at his discretion, to submit an application to approve any compensation, anticipated expenses, or incurred expenses not described by Subsection (c)(1).

4.2 The SDR files this Application to authorize the SDR to contract with Network 1 Consulting as a Receivership Service Provider, under the terms and conditions described in the attached Exhibit A. The SDR requests the Court to approve such terms pursuant to TEX. INS. CODE § 443.015(c)(1) and (d), effective as of May 1, 2023. These rates have been approved by the Receiver in accordance with TEX. INS. CODE § 443.154(a).

4.3 The SDR requests that the Court approve the Application and authorize the SDR to contract with Network 1 Consulting as set out in the attached Exhibit A.

#### **V. NOTICE**

5.1 The SDR has served this Application to all known parties in interest, including all affected guaranty associations, and all individuals and entities identified by the SDR in the Certificate of Service by e-mail and, as noted, by mail or overnight delivery to certain government agencies.

#### **VI. OFFER OF PROOF AND VERIFICATION**

6.1 This Application is verified by the affidavit and certification pursuant to TEX. INS. CODE § 443.017(b) by Susan E. Salch, Partner in CANTILO & BENNETT, L.L.P., Special Deputy Receiver of FHIC.

## VII. NOTICE OF ELECTRONIC SERVICE REQUIREMENT

7.1 All pleadings filed in response to this Application or in regard to this estate shall be served by e-mail on the undersigned counsel and all parties shown in the attached Certificate of Service.

### PRAYER

WHEREFORE, PREMISES CONSIDERED, CANTILO & BENNETT, L.L.P., solely in its capacity as Special Deputy Receiver of FHIC, prays that this Court grant this Application and grant the SDR such other and further relief to which it may justly entitled.

Respectfully submitted,

/s/ Greg Pierce  
Gregory A. Pierce  
State Bar No. 15994250  
P.O. Box 40  
Austin, Texas 78767  
Tel: (512) 474-2154  
[gpierce@gpiercelaw.com](mailto:gpierce@gpiercelaw.com)

-and-

Christopher Fuller  
State Bar No. 07515500  
FULLER LAW GROUP  
4612 Ridge Oak Drive  
Austin, Texas 78731  
Telephone: (512) 470-9544  
[cfuller@fullerlaw.org](mailto:cfuller@fullerlaw.org)

**Attorneys for CANTILO & BENNETT, LLP,  
Special Deputy Receiver of  
Friday Health Insurance Company, Inc.**

## APPLICANT'S NOTICE OF SUBMISSION

Pursuant to the terms of the Agreed Order of Reference to Master entered by the District Court in this cause, the *Application for Approval of Receivership Service Provider* is hereby set for written submission before the Special Master, Tom Collins, on **May 30, 2023**.

The Special Master has asked that the following rules be provided you:

1. Any objection must be filed with the Travis County District Clerk at least three (3) calendar days before the submission date.
2. A copy of any objection shall be served by e-mail by such date on:
  - (a) The Special Master's Docket Clerk, at [specialmasterclerk@tdi.texas.gov](mailto:specialmasterclerk@tdi.texas.gov);
  - (b) The undersigned counsel, Greg Pierce at [gpierce@gpiercelaw.com](mailto:gpierce@gpiercelaw.com); and
  - (c) All interested parties, including those listed on the SDR's Certificate of Service.
3. The objecting party shall coordinate with the SDR's counsel and the Docket Clerk [(512) 676-6915] to obtain an oral hearing setting for argument on the Application and Objection, and complete and attach an "Objecting Party's Notice of Oral Hearing" to the objection.
4. The written objection must specifically list all reasons for objection with supporting references to and discussion of statutory and case authorities. Reasons not stated in writing will not be considered orally.
5. **Please note that if an objection is not filed as described in the Notice of Submission, the Master may consider the Application without a hearing.**
6. **Failure to file timely a written objection before the Special Master constitutes a waiver of the right to object to the Special Master's recommendation to the District Court.**
7. Any Acknowledgment of Notice and Waiver to be filed by the Guaranty Association or other interested party should be filed at least three (3) calendar days before the submission or hearing date.

/s/ Greg Pierce  
Gregory A. Pierce

## CERTIFICATE OF SERVICE

I certify that a true and correct copy of the *Application for Approval of Receivership Service Provider* was sent in accordance with TEX. INS. CODE § 443.007(d) on May 9, 2023 to:

*Via Email:* [specialmasterclerk@tdi.texas.gov](mailto:specialmasterclerk@tdi.texas.gov)  
Tom Collins, Receivership Master  
c/o Special Master's Clerk  
RLO MC-FRD  
PO Box 12030  
Austin, TX 78711-2030

*Via e-Service:* [Brian.Riewe@tdi.texas.gov](mailto:Brian.Riewe@tdi.texas.gov)  
Brian Riewe  
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RLO MC-FRD  
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Mark Levy  
General Counsel Division  
Office of Financial Counsel  
TEXAS DEPARTMENT OF INSURANCE  
PO Box 12030  
Austin, TX 78711-2030

*Via e-Service:* [Zachary.Rhines@oag.texas.gov](mailto:Zachary.Rhines@oag.texas.gov)  
Zachary L. Rhines  
Assistant Attorney General  
General Litigation Division  
OFFICE OF THE TEXAS ATTORNEY GENERAL  
P.O. Box 12548, Mail Stop 01901  
Austin, Texas 78711-2548  
*Counsel for Texas Department of Insurance*

*Via e-Service:* [jrixen@rixenlaw.com](mailto:jrixen@rixenlaw.com)  
Jacqueline Rixen  
RIXENLAW  
P.O. Box 9879  
Austin, TX 78766  
*Counsel for the Texas Life and Health  
Insurance Guaranty Association*

*Via e-Service:* [sstrickland@mwlaw.com](mailto:sstrickland@mwlaw.com)  
Stanton Strickland  
MITCHELL, WILLIAMS, SELIG, GATES &  
WOODYARD, P.L.L.C.  
500 W. 5th Street, Ste. 1150  
Austin, Texas 78701  
*Counsel for Friday Health Insurance, Inc.*

*Via First Class Mail*  
INTERNAL REVENUE SERVICE  
Special Procedures Branch  
300 East 8<sup>th</sup> Street, Suite 352  
Mail Stop 5026AUS  
Austin, Texas 78701

*Via Email:* [Brian.Hansen@hcahealthcare.com](mailto:Brian.Hansen@hcahealthcare.com)

Brian Hansen

HCA HEALTHCARE

One Park Plaza, Building 1-2E

Nashville, TN 37203

*/s/ Greg Pierce*  
Gregory A. Pierce

**SPECIAL DEPUTY RECEIVER'S VERIFICATION AND CERTIFICATION  
PURSUANT TO TEX. INS.CODE ANN. §443.017(b)**

**AFFIDAVIT OF SUSAN E. SALCH**

State of Texas

County of Travis

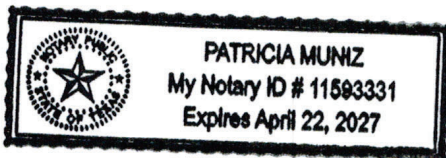
BEFORE ME, the undersigned authority appeared Susan E. Salch, who after being by me duly sworn, stated the following under oath:

1. "My name is Susan E. Salch. I am of sound mind, capable of making this affidavit, and am competent to testify to the matters contained in this affidavit.
2. I am a partner in CANTILO & BENNETT, L.L.P., the Special Deputy Receiver of Friday Health Insurance Company, Inc. (the "SDR" and "FHIC" respectively), I am duly authorized to make this Affidavit on behalf of the SDR.
3. I have reviewed the *Application for Approval of Receivership Service Provider* and the facts stated therein are true and correct based on my personal knowledge, my review of estate records and my consultation with the staff and subcontractors.
4. I certify that the exhibits, books, accounts, records, papers, correspondence, and/or other records and documents attached hereto were produced pursuant to TEX. INS. CODE § 443.017, are either true and correct copies of records of FHIC and were received from the custody of FHIC or found among its effects, or were created by and filed with the Receiver's office in connection with the receivership of this delinquent company, and are held by the Special Deputy Receiver in its official capacity."

By: Susan E. Salch  
Susan E. Salch

**SUBSCRIBED AND SWORN TO BEFORE ME** on May 8, 2023, by Susan E. Salch, Special Deputy Receiver of Friday Health Insurance Company, Inc.

Patricia Muniz  
Notary Public





# Computer & Network Support Proposal for

## Friday Health Insurance Company in Receivership

**April 13, 2023**

Prepared by: Richard Stokes  
Network 1 Consulting, Inc.  
5871 Glenridge Drive, Suite 240  
Atlanta, Georgia 30328  
(t) 404.943.0800

**Exhibit  
A**





April 13, 2023

Brandon Murray – Adjuster/IT  
c/o Friday Health Insurance Company in Receivership  
Texas

Dear Brandon,

Thank you for the opportunity to propose an IT solution for a Health Insurance Company that you are working with as that has gone into receivership. Based on what I have learned in my correspondences with you, here is my understanding of the IT needs.

- Seeking an option to host the following components of Friday Health Insurance Company in Receivership:
  - Need to transfer a copy of 50-100TB's of data off of their current cloud storage (AWS) and into another platform for the purposes of preservation, archival and limited access.
  - The largest application in use is a Health Edge product. The current AWS snapshot backup contains a copy of the Health Edge database residing in several SQL databases.
  - A mapped drive is all that is required for the archive, and not a full installation of SQL databases.
  - Data is intermingled with more than one party.
  - Ability to allow vendors to securely transfer their copies of their backups to this archive (one-time transfers – not ongoing).
- 24x7x365 monitoring and maintenance of virtual environment + backup for this archive.
- Security in accordance with HIPAA guidelines.
- As needed access for Brandon's team.

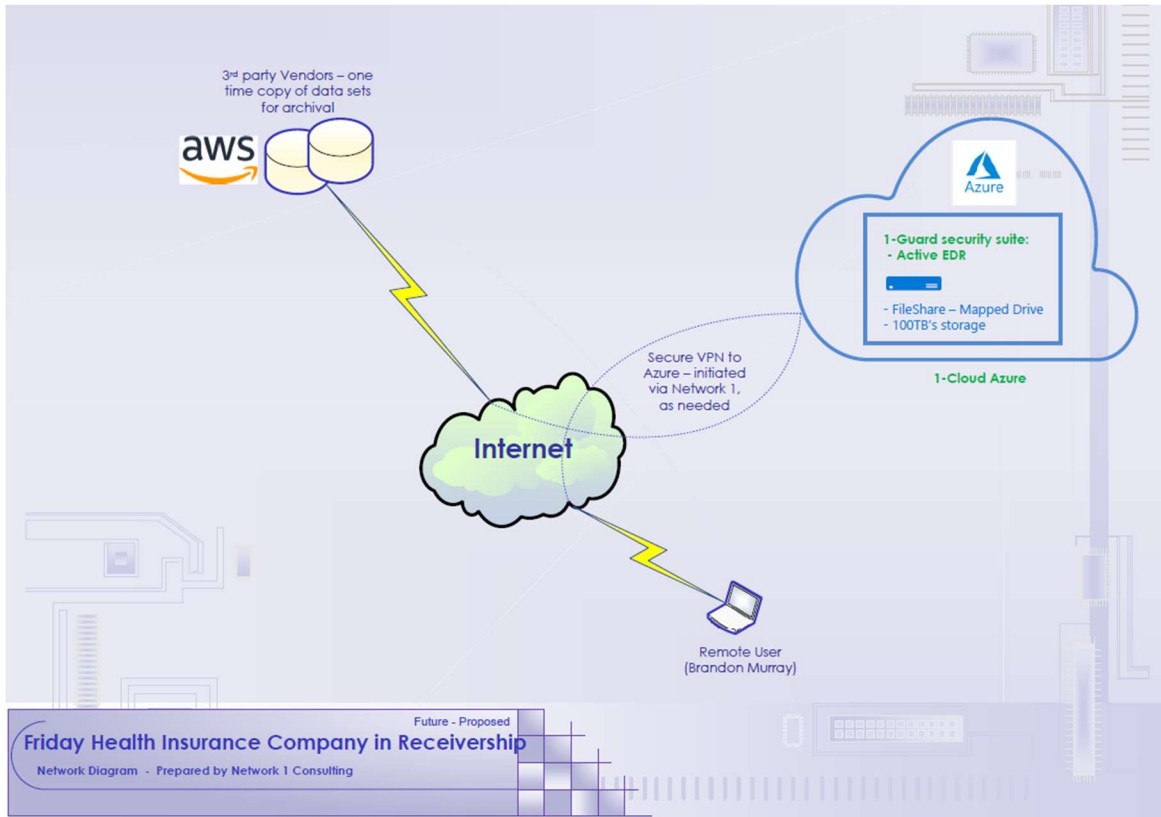
With consideration for your IT concerns and needs, I have put together the enclosed proposal for you to evaluate.

Best Regards,

Richard Stokes

## Current Environment

## Proposed Network Diagram



This diagram represents the architecture of the network as we would implement it. Specific services details are covered on pages 7-8.

## Network 1 Consulting (Summary)

### Who we are:

- Network 1 is a 25-year-old IT Support and Services company that works with professional service firms here in Metro Atlanta
- 43 employees
- 130 clients, 650+ servers, 6,300+ desktops/laptops under management

### Who supports you (see organizational chart on page 6):

- Support Desk – staffed M-F 7am -7pm (**Crimson Team**)
  - Desktop engineering team who assists end-users with IT issues and is first line of response for IT issues.
  - 92% of issues get resolved at the support desk.
  - All issues are responded to within 22 minutes, on average.
- Dispatch (**Crimson Team**)
  - Build, configure and install new workstations according to established build lists.
  - Assists with new user set-up and procurement of equipment for the end-user.
  - Onsite hands-on orientation (if required) to new machine.
- Assigned Client Engineer (**Black Team**)
  - Dedicated point of contact – responsible for oversight and engineering on your network – works in conjunction with our Support Desk for complete coverage and resolution to issues.
  - Responsible for understanding the environment, getting to know key people, and ensuring that the network is up, and technical information and feedback are channeled back to relevant parties as needed.
  - Rapid response time (remotely) - because 92% of all IT issues are handled by our Support Desk, your dedicated engineer is highly available to respond to requests as needed.
  - Provides guidance and oversight with compliance and cyber security.
  - Works on a team (other resources that know your network should your dedicated engineer be unavailable).

- Network Operations Center (NOC/Projects) (**Gold Team**)
  - Monitors network (servers, infrastructure, and connectivity) 24x7x365 and gets real time alerts on issues.
  - NOC staffs an engineer at 5am (M-F) who reviews alerts and does tier 1 support plus escalation if/when needed for any alerts that have come in from the night before.
  - Ensures network is patched and up to date (servers and workstations).
  - Monitors backups, overseas managed firewalls, and installed security suites.
  - Planning, design, guidance, and implementation of projects.
- Dedicated Client Manager (**Green Team**)
  - Non-technical and administrative liaison assigned to your account.
  - Conducts annual business review meetings.
  - Works in close conjunction with your dedicated engineer to create a plan and strategy for future growth and to ensure that all projects and daily interaction is to your satisfaction.
  - Point person for new equipment acquisitions and assisting engineers in project plan management.

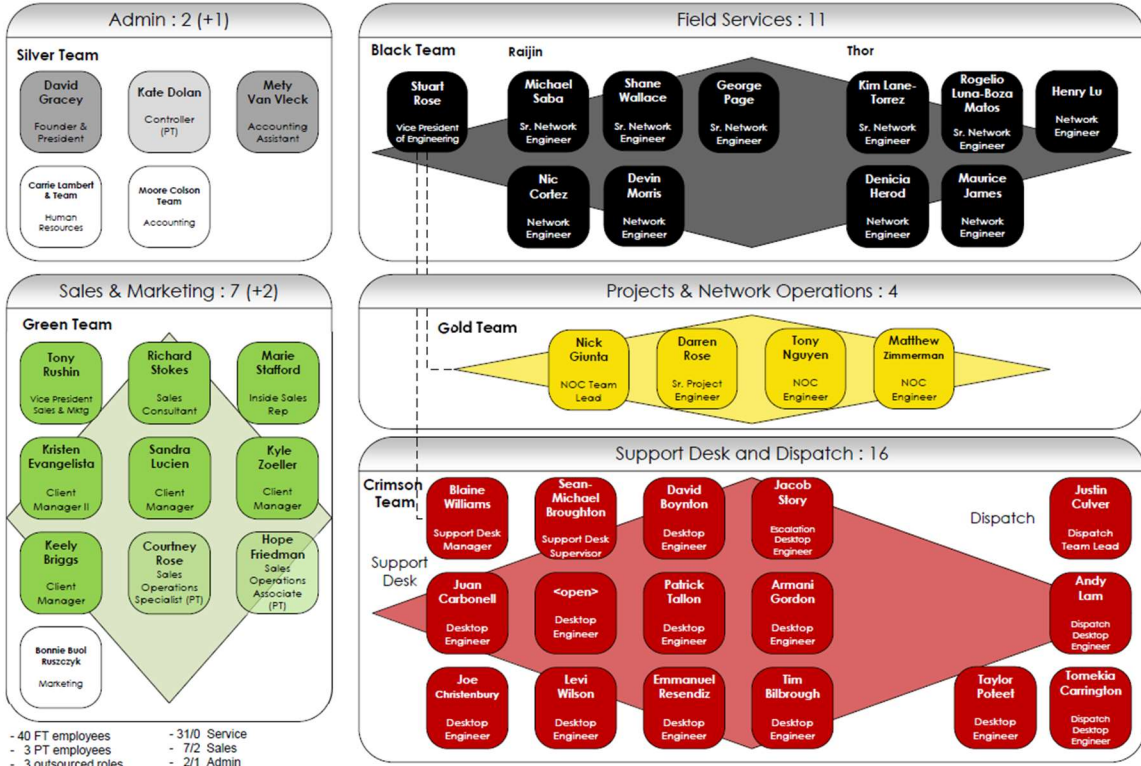
**What you can expect:**

- Rapid Response time: within 22 minutes remotely (see Support Desk stats above).
- Remote engineering assistance as needed.
- World class security layers.
- Security best practices and guidance.
- Frequent and ongoing communication with your internal IT team.
- Annual advisory meetings – recommendations/budgeting/planning.
- Company that understands and embodies compliance and security.

# Network 1 Organizational Chart



Organizational Chart  
As of Feb 2023





## Proposed Solution

### Managed Services Plan - Ongoing IT Support

Based on what I have learned, I am recommending our 1-Cloud Server Care Plan.

#### Scope

Plan is based on 1 virtual server in Azure (File Share), to host archived copies of up to 100TB's of data.

#### Summary of Services

Here is a short-list of the services provided in plan:

- 24x7x365 monitoring of 1-Cloud Azure environment.
- Regular hours support is 7 a.m. to 7 p.m. Monday – Friday. During these hours, Brandon's team may make requests of Network 1 engineering resources for the purposes of gaining access to existing archives or requesting access for an outside vendor to add additional data to the archive (engineering time is billable).
- Monthly patching and rebooting of Azure server. Conducted off-hours at a regularly scheduled, mutually agreed to time.
- 1-Guard Security Suite:
  - Sentinel One EDR agent.
  - N-Able agent (Network 1 access + admin mgmt)
- 1-Cloud Azure – 1 Virtual Server (File): 100TB's data storage.
- Annual CIO advisory, budgeting, and planning meetings.
- Dedicated Client Manager.
- 12-month agreement with a 60-day out by either party.

### Monthly Investment Options

Service Component	Monthly
1-Cloud Azure Server Care Plan – Monthly Investment (1-year term):	\$3,047
1-Cloud Azure Server Care Plan – Monthly Investment (3-year term)	\$2,590
<b>Total</b>	<b>(based on term)</b>

## One-time Investments

Service Component	One-time
1-Cloud Azure base build	\$3,000
<b>Total</b>	<b>\$3,000</b>

Data migration from AWS backup sources/vendors would be treated as project work on an hourly basis. We estimate the following for this initial data set:

“50TB of the data is in several AWS backup snapshots, the largest of them are 6 or 7TB and within that is their file server with all of the shared and user folders and files.”

Estimate is based upon reasonable coordination and access to data from the respective data sources.

Service Component	One-time
Data migration estimate (25-35 hours) @\$212/hour	\$5,300 - \$7,420
<b>Total</b>	<b>\$5,300 - \$7,420</b>

The hourly engineering rates for engineering/project work are:

- Desktop Engineer: \$145 \*
- Network Engineer: \$180 \*
- Senior Network Engineer: \$212 \*

\* After hour project rates are x1.5 and Holiday rates are x2.

## Addendum (added 4/21/2023)

### Managed Services Plan - Ongoing IT Support

#### Scope

Plan is based on 1 virtual server in Azure (File Share), to host up to 1 TB of data for two database backup files to be stored in the "non-escrow" location. Master databases from which the records are being pulled and the master databases sizes are:

- ROD-DB1a - 600GB
- RPT1 - 550GB

SDR will need a storage location that can be accessed via SFTP in order to browse the directory of files and download and work locally with what is needed.

#### Summary of Services

Here is a short-list of the services provided in plan:

- 24x7x365 monitoring of 1-Cloud Azure environment.
- Regular hours support is 7 a.m. to 7 p.m. Monday – Friday. During these hours, Brandon's team may make requests of Network 1 engineering resources for the purposes of gaining access to existing archives (engineering time is billable).
- Monthly patching and rebooting of Azure server. Conducted off-hours at a regularly scheduled, mutually agreed to time.
- 1-Guard Security Suite:
  - Sentinel One EDR agent.
  - N-Able agent (Network 1 access + admin mgmt)
- 1-Cloud Azure w/ secure VPN access – 1 Virtual Server (File): 1TB's data storage.
- Annual CIO advisory, budgeting, and planning meetings.
- Dedicated Client Manager.
- 12-month agreement with a 60-day out by either party.





## Monthly Investment Options

Service Component	Monthly
1-Cloud Azure Server Care Plan – Monthly Investment	\$779
<b>Total</b>	<b>\$779</b>

## One-time Investments

Service Component	One-time
1-Cloud Azure base build + data migration	\$4,500
<b>Total</b>	<b>\$4,500</b>

The hourly engineering rates for engineering/project work are:

- Desktop Engineer: \$145 \*
- Network Engineer: \$180 \*
- Senior Network Engineer: \$212 \*

\* After hour project rates are x1.5 and Holiday rates are x2.

THE TEXAS DEPARTMENT OF INSURANCE, <i>Plaintiff,</i>	§ § § §	IN THE DISTRICT COURT OF
v.	§ §	TRAVIS COUNTY, TEXAS
FRIDAY HEALTH INSURANCE COMPANY, INC. <i>Defendant.</i>	§ § §	345th JUDICIAL DISTRICT

**ORDER GRANTING APPLICATION FOR APPROVAL OF RECEIVERSHIP SERVICE PROVIDER**

On this date, the Court heard the *Application for Approval of Receivership Service Provider* (the “Application”) filed by CANTILO & BENNETT, L.L.P., Special Deputy Receiver of Friday Health Insurance Company, Inc. (the “SDR” and “FHIC” respectively). The Special Deputy Receiver appeared by and through its counsel.

Having considered the Application, the Court finds as follows:

1. The *Order of Reference to Master* (“Order of Reference”) provides that motions filed pursuant to TEX. INS. CODE § 443.015 are referred to the Special Master appointed in this proceeding;
  2. Notice of the Application was provided in accordance with TEX. INS. CODE §443.007 (d) and the *Order of Reference to Master*;
  3. No objections to the Application were filed;
  4. The Texas Life and Health Insurance Guaranty Association has filed its acknowledgement and waiver;
  5. The Court has jurisdiction over the Application and the parties affected hereunder;
- and

6. The SDR's Application should be granted in all respects.

IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED as follows:

1. The Application is GRANTED in all respects.
2. The terms of compensation of Network 1 Consulting under the terms and conditions described in Exhibit A to the Application are approved.
3. The anticipated expenses described in the Application are approved.
4. This order constitutes a final Order fully resolving all issues relating to the Application.

SIGNED: \_\_\_\_\_, 2023.

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JUDGE PRESIDING

### Automated Certificate of eService

This automated certificate of service was created by the eFiling system. The filer served this document via email generated by the eFiling system on the date and to the persons listed below. The rules governing certificates of service have not changed. Filers must still provide a certificate of service that complies with all applicable rules.

Greg Pierce on behalf of Greg Pierce

Bar No. 15994250

gpierce@gpiercelaw.com

Envelope ID: 75465804

Filing Code Description: Motion (No Fee)

Filing Description: APPLICATION FOR APPROVAL OF RECEIVERSHIP  
SERVICE PROVIDER

Status as of 5/10/2023 9:27 AM CST

#### Case Contacts

Name	BarNumber	Email	TimestampSubmitted	Status
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Gregory Alan Pierce	15994250	gpierce@gpiercelaw.com	5/9/2023 3:12:03 PM	SENT
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Associated Case Party: FRIDAY HEALTH INSURANCE COMPANY, INC

Name	BarNumber	Email	TimestampSubmitted	Status
Stanton K. Strickland	786392	sstrickland@mwlaw.com	5/9/2023 3:12:03 PM	SENT

Associated Case Party: TEXAS DEPARTMENT OF INSURANCE

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