

STATE OF SOUTH CAROLINA
RICHLAND COUNTY

IN THE COURT OF COMMON PLEAS
FIFTH JUDICIAL CIRCUIT

Raymond G. Farmer, as Director of the South
Carolina Department of Insurance,

Petitioner,

vs.

South Carolina Health Cooperative, Inc., a
Multiple Employer Self-Insured Health Plan,

Respondent.

Civil Action No. 2014-CP-40-7340

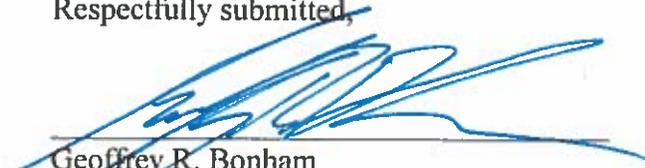
**NOTICE OF FILING OF
FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2017**

2018 FEB 15 PM 3:38
JEANNETTE W. MORRIS
C.C.P. & G.S.
RICHLAND COUNTY
FILED

Pursuant to the South Carolina Insurers Rehabilitation and Liquidation Act, S.C. Code Ann. §§
38-27-10 *et seq.*, the Rehabilitator of South Carolina Health Cooperative, Inc., a Multiple Employer
Self-Insured Health Plan in Rehabilitation (SCHC) hereby files the financial statements of SCHC as
of December 31, 2017. Said financial statements are attached as Exhibit A to this filing.

Respectfully submitted,

February 15, 2018


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S.C. Department of Insurance

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One of the Attorneys for Petitioner

The South Carolina Health Cooperative Welfare Plan in Receivership
Balance Sheet
December 31, 2016 and 2017

| | December 31, | |
|--------------------------------|---------------------|--------------------|
| | 2016 | 2017 |
| Assets | | |
| Cash and Equivalents | 4,024,582 | 1,482,871 |
| Federal Income Tax Receivable | 1,072 | 47,563 |
| Avion Receivable | 192,312 | 238,468 |
| Avion Receivable - nonadmitted | (192,312) | (238,468) |
| Total Assets | 4,025,654 | 1,530,434 |
| Liabilities | | |
| Unpaid Claims | 7,430,680 | 5,559,115 |
| Unpaid LAE | 445,674 | 445,674 |
| Accounts Payable | 628,388 | 637,988 |
| SCDOI Payable | 420,404 | 421,730 |
| Commissions Due | 107,564 | 107,564 |
| Funds Held on Behalf of Others | 96,225 | 96,225 |
| Notes Payable | 867,383 | 867,383 |
| Total Liabilities | 9,996,317 | 8,135,678 |
| Net Worth | (5,970,664) | (6,605,244) |

The South Carolina Health Cooperative Welfare Plan in Receivership
Income Statement
Years Ended December 31, 2016 and 2017

| | Years Ended December 31, | |
|--|--------------------------|--------------------|
| | 2016 | 2017 |
| Income | | |
| Premiums Earned | - | - |
| Other Revenue | 2,710,454 | 72,676 |
| Total Income | 2,710,454 | 72,676 |
| Expenses | | |
| Claims Incurred | 11,229 | 364,348 |
| TPA and Management Fees | 61,772 | 92,153 |
| Special Deputy Receiver Costs | 88,558 | 92,739 |
| Legal Fees | 60,803 | 129,053 |
| Accounting, Actuarial and Contractor Costs | 15,107 | 10,489 |
| SCDOI Costs | 420,404 | 1,326 |
| Insurance | 321 | 887 |
| Other Expenses | 9,268 | 21,315 |
| Total Expenses | 667,462 | 712,310 |
| Income (Loss) Before Taxes | 2,042,992 | (639,635) |
| Income Taxes Expense (Benefit) | 72,984 | (51,211) |
| Net Income (Loss) | 1,970,008 | (588,424) |
| | | |
| Beginning Net Worth | (7,748,360) | (5,970,664) |
| Net Income (Loss) | 1,970,008 | (588,424) |
| Change in nonadmitted | (192,312) | (46,156) |
| Prior period adjustments | - | - |
| Ending Net Worth | (5,970,664) | (6,605,244) |

SCHC Welfare Plan in Receivership
 Receipts and Disbursements
 December 24, 2014 to December 31, 2017

| | 2014 | | 2015 | | 2016 | | 2017 | | | | | ITD | | |
|-----------------------------------|----------------|--------------|--------------|--------------|--------------|--------------|-----------|-----------|-----------|-----------|-----------|-------------|-------------|-----------|
| | 12-24 to 12-31 | 1-1 to 12-31 | 2nd Q | July | August | September | October | | November | December |
| Beginning Cash | 745,045 | | 785,941 | 2,659,992 | 4,024,582 | 3,927,652 | 2,663,442 | 2,644,891 | 2,604,833 | 2,509,800 | 2,496,549 | 2,487,383 | 4,024,582 | 745,045 |
| Receipts | | | | | | | | | | | | | | |
| Investment Income | 6 | 282 | 1,019 | | 403 | 356 | 108 | 108 | 108 | 102 | 98 | 98 | 1,376 | 2,683 |
| Premium | 753 | 84,620 | | | | | | | | | | | | 85,373 |
| Other | 40,136 | 5,030,209 | 2,506,004 | 3,000 | 3,000 | 3,000 | | 3,250 | 1,600 | 4,647 | 4,000 | 5,647 | 25,144 | 7,601,494 |
| Total Receipts | 40,896 | 5,115,112 | 2,507,023 | 3,403 | 3,403 | 3,356 | 108 | 3,358 | 1,702 | 4,749 | 4,098 | 5,745 | 26,520 | 7,689,550 |
| Disbursements | | | | | | | | | | | | | | |
| Claim Payments - Plan Liabilities | | 2,718,560 | 781,888 | | | 1,168,062 | | | 70,645 | | | 997,207 | 2,235,914 | 5,736,362 |
| Claim Payments - Other | | (21,807) | (2,022) | | | | | | | | | | | (23,829) |
| TPA Fees | | 215,221 | 61,772 | 44,910 | 22,326 | 5,847 | | 3,746 | | 3,954 | 3,505 | 3,430 | 87,718 | 364,711 |
| Special Deputy Fees | | 178,936 | 93,007 | 31,942 | 22,587 | | | 16,974 | 12,173 | | 1,902 | | 85,578 | 357,521 |
| Legal Fees | | 19,497 | 59,037 | | | | | | | | | | | 78,533 |
| Legal Fees - LOC | | | | 10,114 | 21,177 | 8,131 | | 19,264 | 11,904 | 12,456 | 6,646 | 8,416 | 98,108 | 98,108 |
| Legal Fees - D&O | | | | 6,864 | 19,896 | 3,705 | | 1,694 | | 1,083 | | | 33,241 | 33,241 |
| Banking Fees | | 1,351 | 420 | 60 | 455 | 4 | | 20 | 20 | 20 | 25 | 353 | 957 | 2,728 |
| Rent | | 400 | 1,455 | 707 | 434 | 133 | | 235 | 113 | 69 | 68 | 88 | 1,847 | 3,702 |
| Salaries | | | 4,279 | 7,224 | 2,642 | 544 | | 879 | 270 | 181 | 476 | 351 | 12,566 | 16,845 |
| Office Expenses | | 1,074 | 665 | 538 | 192 | 123 | | 189 | 66 | 39 | 62 | 61 | 1,270 | 3,009 |
| Postage/Phone/Internet | | | 592 | 335 | 155 | 43 | | 87 | 38 | 24 | 38 | 29 | 749 | 1,341 |
| Accounting / Tax Fees | | 21,713 | 8,672 | | 8,120 | | | | | | | | 8,120 | 38,505 |
| Management Co. Fees | | 59,221 | | | | | | | | | | | | 59,221 |
| SC Department of Insurance | | 30,643 | | | | | | | | | | | | 30,643 |
| Federal Income Taxes | | | | (3,755) | | (965) | | | | | | | | (4,720) |
| Premiums | | | 74,056 | | | | | | | | | | | 74,056 |
| Misc | | 16,252 | 7,832 | 1,394 | 2,485 | 129 | | 329 | 1,506 | 175 | 542 | 323 | 6,882 | 30,967 |
| Total Disbursements | | 3,241,051 | 1,142,433 | 100,333 | 1,267,566 | 18,659 | 43,417 | 43,417 | 96,734 | 18,001 | 13,264 | 1,010,257 | 2,568,230 | 6,951,724 |
| Net Cash Flow | 40,896 | 1,874,051 | 1,364,590 | (96,930) | (1,264,210) | (18,550) | (40,059) | (40,059) | (95,033) | (13,252) | (9,166) | (1,004,512) | (2,541,711) | 737,826 |
| Ending Cash | 785,941 | 2,659,992 | 4,024,582 | 3,927,652 | 2,663,442 | 2,644,891 | 2,604,833 | 2,496,549 | 2,487,383 | 2,487,383 | 1,482,871 | 1,482,871 | 1,482,871 | 1,482,871 |

The South Carolina Health Cooperative Weifare Plan in Receivership
 Payments to Consultants and Professionals
 December 24, 2014 to December 31, 2017

| | 2014 | | 2015 | | 2016 | | 2017 | | | | | | | Total | YTD |
|--|----------------|----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|------------------|
| | 12-24 to 12-31 | YTD | YTD | YTD | YTD | 1st Q | 2nd Q | July | August | September | October | November | December | | |
| FitzGibbons and Company, Inc. (Special Deputy) | - | 178,935 | 93,007 | 31,942 | 22,587 | - | 16,974 | 12,173 | - | 1,902 | - | - | - | 85,578 | 357,520 |
| Preferred Administrators | - | 215,221 | 61,772 | 13,500 | 22,326 | 5,847 | 3,746 | - | 3,954 | 3,505 | - | - | 3,430 | 56,308 | 333,301 |
| Healthscope Benefits | - | - | - | 31,410 | - | - | - | - | - | - | - | - | - | 31,410 | 31,410 |
| Deloitte LLP | - | 12,376 | 8,672 | - | 8,120 | - | - | - | - | - | - | - | - | 8,120 | 29,168 |
| Corporate Solutions for America, LLC | - | 59,221 | - | - | - | - | - | - | - | - | - | - | - | - | 59,221 |
| Barnes, Alford, Stork & Johnson, L.L.P. | - | 16,212 | 4,707 | - | - | - | - | - | - | - | - | - | - | - | 20,919 |
| Chiles Steifle | - | 9,336 | - | - | - | - | - | - | - | - | - | - | - | - | 9,336 |
| Joe Comenzo Law | - | 1,133 | - | - | - | - | - | - | - | - | - | - | - | - | 1,133 |
| Young Clement Rivers, LLP | - | - | 45,324 | 6,864 | 23,903 | 7,409 | 2,009 | 7,847 | 10,231 | 6,241 | 8,730 | - | - | 73,234 | 118,558 |
| Humphrey, Berger & Assoc., LLP | - | - | 5,972 | 10,114 | 14,755 | 3,622 | 4,860 | 2,867 | 3,308 | 405 | - | - | - | 39,930 | 45,902 |
| Wills Massalon & Allen LLC | - | - | 3,033 | - | - | - | - | - | - | - | - | - | - | - | 3,033 |
| Frederich Bingham | - | - | 2,625 | - | - | - | - | - | - | - | - | - | - | - | 2,625 |
| Chiesa Shahinian & Giantomasi | - | - | - | - | 1,915 | 805 | - | - | - | - | - | - | - | 2,720 | 2,720 |
| Faux Law Group | - | - | - | - | 500 | - | 1,590 | - | - | - | - | - | (314) | 1,776 | 1,776 |
| Gutilla Murphy Anderson, P.C. | - | - | - | - | - | - | 12,499 | 1,190 | - | - | - | - | - | 13,689 | 13,689 |
| William Joynt Investigations | - | - | - | - | - | - | - | 1,243 | - | - | - | - | - | 1,243 | 1,243 |
| Totals | - | 492,434 | 225,112 | 93,830 | 94,106 | 17,683 | 41,678 | 25,320 | 17,493 | 12,054 | 11,846 | 12,054 | 11,846 | 314,008 | 1,031,554 |