

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK: PART 59

-----X
In the Matter of

Index No.: 451807/2018

the Liquidation of

AFFIRMATION

CUATRO LLC.
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Melissa A. Pisapia, an attorney at law, duly admitted to practice before the Courts of the State of New York, hereby affirms under the penalties of perjury under the laws of New York, which may include a fine or imprisonment, that the following is true, and that I understand that this document may be filed in an action or proceeding in a court of law.

1. I am an attorney with the New York Liquidation Bureau (“NYLB”), which serves as the staff of Adrienne A. Harris, Superintendent of the Department of Financial Services of the State of New York, in her capacity as liquidator (“Liquidator”) of Cuatro LLC (“Cuatro”). I submit this affirmation upon information and belief, based on my review of the Cuatro 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 approving the Liquidator’s report on the status of and request to close the Cuatro liquidation proceeding (“Closing Report”) and the financial transactions therein detailed.

- 2. A copy of the proposed order is annexed hereto as Exhibit 1.
- 3. The Closing Report is annexed hereto as Exhibit 2.

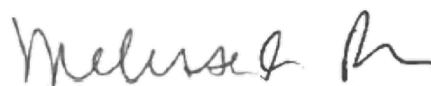
4. The Liquidator proposes to give notice of the return date of the accompanying Order to Show Cause by posting the Order to Show Cause and its supporting papers on the NYLB Internet web page at <https://www.nylb.org/home.htm>, under Legal and Estate Notices, within five (5) days following the Liquidator's receipt of a signed copy of the Order to Show Cause.

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

WHEREFORE, it is respectfully requested that the Court grant an order substantially in the form of the proposed order annexed hereto as Exhibit 1: (i) approving the Closing Report and the financial transactions detailed therein, annexed hereto as Exhibit 2; (ii) authorizing the continued payment of actual and necessary administrative expenses incurred by the Liquidator in the administration of the Cuatro liquidation proceeding, including such expenses pertaining to the closing of the liquidation proceeding; (iii) authorizing the Liquidator to distribute Cuatro's assets, consistent with the priorities set forth in New York Insurance Law § 7434, to those former policyholders and creditors of Cuatro with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; (iv) terminating and closing the liquidation proceeding; (v) authorizing the NYLB to receive and disburse, without further application to this Court, any receipts that are received after the termination of the liquidation proceeding and to use such assets, first, to pay all administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute those assets to creditors of Cuatro with allowed claims who are eligible to share in a *pro rata* distribution; (vi) authorizing the NYLB, 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 Cuatro estate; (vii) releasing and discharging the Liquidator, her predecessors and successors in office, the NYLB, and their agents, attorneys and employees, from any and all

liability arising from their acts or omissions in connection with the liquidation proceeding; and
(viii) for such other and further relief that this Court deems just and proper.

Dated: New York, New York
February 7, 2024



Melissa A. Pisapia

Exhibit 1 – Proposed Order

At IAS Part 59 of the Supreme Court of the State of New York, County of New York, at the Courthouse located at 60 Centre Street, New York, New York, on the ___ day of _____, 2024.

P R E S E N T:

HON. DEBRA A. JAMES, J.S.C.

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

-----X
In the Matter of

Index No.: 451807/2018

the Liquidation of

ORDER

CUATRO LLC.
-----X

Upon the motion of the Superintendent of the Department of Financial Services of the State of New York as liquidator (“Liquidator”) of Cuatro LLC (“Cuatro”), for an order, *inter alia*: (i) approving the Liquidator’s report on the status of and request to close the Cuatro liquidation proceeding (“Closing Report”), and the financial transactions detailed therein, annexed as Exhibit 2 to the affirmation of Melissa A. Pisapia; (ii) authorizing the continued payment of actual and necessary administrative expenses incurred by the Liquidator in the administration of the Cuatro liquidation proceeding, including such expenses pertaining to the closing of the liquidation proceeding; (iii) authorizing the Liquidator to distribute Cuatro’s assets, consistent with the priorities set forth in New York Insurance Law § 7434, to those former policyholders and creditors of Cuatro with allowed claims, to the extent that, in the Liquidator’s discretion, sufficient funds are available; (iv) terminating and closing the liquidation proceeding; (v) authorizing the New York Liquidation Bureau (“NYLB”), which serves as the staff of the Liquidator, to receive and disburse, without further application to this Court, any receipts that are received after the

termination of the liquidation proceeding and to use such assets, first, to pay all administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute those assets to creditors of Cuatro with allowed claims who are eligible to share in a *pro rata* distribution; (vi) authorizing the NYLB, 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 Cuatro estate; (vii) releasing and discharging the Liquidator, her predecessors and successors in office, the NYLB, and their agents, attorneys and employees, from any and all liability arising from their acts or omissions in connection with the liquidation proceeding; and (viii) for such other and further relief that this Court deems just and proper;

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 therein 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 Cuatro liquidation proceeding, is authorized; and it is further

ORDERED, that the Liquidator is authorized to distribute Cuatro's assets, consistent with the priorities set forth in New York Insurance Law § 7434, to those former policyholders and creditors of Cuatro with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available; and it is further

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

ORDERED, that the NYLB's receipt and disbursement, without further application to this Court, of any receipts that are received after the termination of the liquidation proceeding, is authorized and the use of such assets, first, to pay all administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute those assets to creditors of Cuatro with allowed claims who are eligible to share in a *pro rata* distribution is authorized; and it is further

ORDERED, that the NYLB, 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 Cuatro estate; and it is further

ORDERED, that the Liquidator, her predecessors, and successors in office, the NYLB, 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

J.S.C.

Exhibit 2 – Closing Report

**FINAL REPORT ON THE STATUS OF AND REQUEST TO CLOSE
THE LIQUIDATION PROCEEDING OF CUATRO LLC**

INTRODUCTION

Adrienne A. Harris, Superintendent of the Department of Financial Services of the State of New York (“Superintendent”), as liquidator (“Liquidator”) of Cuatro LLC (“Cuatro”), reports that she has completed her duties regarding the liquidation of Cuatro.¹

The Liquidator submits this final report to apprise the Court of the status of the liquidation proceeding (“Closing Report”) and to respectfully request that the Court enter an order substantially in the form of the proposed order annexed as Exhibit 1 to the accompanying affirmation of Melissa A. Pisapia, *inter alia*, approving the Closing Report and the financial transactions detailed herein and terminating and closing the Cuatro liquidation proceeding.

BACKGROUND

A. Cuatro and Its Consent to Liquidation

Cuatro was incorporated in the State of New York on or about March 23, 2009, and obtained a certificate of authority, effective May 4, 2010, from the New York State Department of Health to operate as a “Medicare-Only” health maintenance organization in Bronx, Kings, New York, and Queens Counties. Cuatro was authorized to operate in the State of New York only.

Pursuant to Article 44 of the New York Public Health Law, Cuatro offered plans (“Plans”) providing Medicare Advantage and Medicare Advantage Part D prescription drug coverage (“MA-PD Coverage”) to Medicare beneficiaries (“Members”), and healthcare services for Members through a network of hospitals and other healthcare service providers (“Providers”). In April 2016,

¹ The Liquidator 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.

the Centers for Medicare & Medicaid Services notified Cuatro that its contract to provide MA-PD Coverage would not be renewed and would expire effective December 31, 2016. All Cuatro's remaining Plans were terminated effective December 31, 2016.

By a written resolution dated April 7, 2016, Cuatro's directors unanimously consented to the entry of an order of liquidation pursuant to New York Insurance Law ("Insurance Law") Article 74.

On August 6, 2018, the Supreme Court of the State of New York, County of Queens, entered an order placing Cuatro into liquidation and appointing the Superintendent as liquidator ("Liquidation Order"). NYSCEF Doc. No. 15. On August 22, 2018, the Supreme Court, Queens County granted the Liquidator's application to transfer venue from Queens County (Index No. 700126/2018) to New York County. NYSCEF Doc. No. 22.

B. Bar Date

The Liquidation Order set the bar date ("Bar Date"), or deadline by which all claims against Cuatro or its insureds, other than the Liquidator's claims for administrative expenses, were required to be submitted to the Liquidator as the earlier of (i) the contractual deadline established for the timely submission of claims in Cuatro's health plans or agreements between Cuatro and its network of Providers for the provision of services to Members under the Plans; or (ii) six months from the date of the liquidation order was issued, *i.e.*, February 4, 2019.

C. Classes of Creditors

The priority of distribution of assets from a liquidating insurer is set forth in Insurance Law § 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, and establishes the following classes:

Class One – Administrative Claims

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

Class Two – Policyholder Claims

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

Class Three – Federal Government Claims

Claims of the federal government, except those under 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 under Class Two;

Class Six – General Creditor Claims

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

Class Seven – Late Filed Claims

Claims filed late or any other claims other than claims state in Class Eight or Class Nine below; and

Class Eight – 1307 Loans

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

Class Nine – Shareholder Claims

Claims of shareholders, or other owners in the capacity as shareholders.

Since the beginning of the liquidation proceeding, the Liquidator has incurred and paid on a current basis the administrative expenses of the proceeding (Class One). After the Class One claimant is paid, remaining monies would be distributed to Class Two claimants on a *pro rata* basis.

D. Adjudication Procedure

By order entered March 4, 2021, this Court established an adjudication procedure to resolve claims against the Cuatro estate. NYSCEF Doc. No. 40. Pursuant to the adjudication procedure, claimants who objected to the Liquidator's classification determinations or recommendations of allowance or disallowance of their claims were entitled to have their objections heard by a court-appointed referee who, in turn, would hear and report on the dispute. Upon the referee's determination, either the claimant or the Liquidator could move the Court to confirm or deny the referee's report.

All timely filed claims that were within a priority that would receive a distribution were reviewed by the Liquidator (*i.e.*, Class Two policyholder claims). All claims adjudicated by the Liquidator were submitted to the Court as recommended allowances for approval pursuant to Insurance Law § 7602(g). The Court reviewed these proposed claims payments and approved them by issuing Court orders for each of the settlements.

CURRENT STATUS OF CLAIMS PRESENTED

Because the deadlines for the submission of all claims was no later than February 4, 2019, no additional claims or evidence in support of such claims against Cuatro or its insureds may be presented to the Liquidator. In total, there were 25,376 claims filed in the liquidation proceeding. 25,366 of those claims were Class Two policyholder claims that have been reviewed and adjudicated. The remaining 10 claims were claims below Class Two, which the Liquidator refrained from adjudicating because there are no assets available in the estate to pay claims below Class Two.

The Liquidator reviewed and issued Notices of Determination ("NODs") for the claims, which informed claimants how to object to the Liquidator's determination, if they wished, in

accordance with the adjudication procedure. The Liquidator received no objections to any of the NODs and because the time period for objections lapsed, the Liquidator's recommended allowances and disallowances were deemed accepted.

The 25,376 claims consist of the following, which were aggregated by claimant to the extent possible to reduce administrative expenses:

- Class Two – There were 25,366 Class Two claims, of which 76 were either voided or withdrawn, 141 were disallowed and 25,149 were allowed by the Court for a total allowance of \$11,051,875. For purposes of distribution, the Class Two claims have been consolidated by tax identification number into 1,336 creditors.
- Class Three – There was one Class Three claim in the claimed amount of \$284,026.
- Class Four – There were no Class Four claims.
- Class Five – There was one Class Five claim in the claimed amount of \$511.
- Class Six – There were eight Class Six claims in the aggregate claimed amount of \$2,801,094.
- Class Seven – There were no Class Seven claims.
- Class Eight – There were no Class Eight claims.

FINANCIAL REPORT

Cuatro's Statement of Assets and Liabilities as of December 31, 2023, and Cuatro's Statement of Receipts and Disbursements for the Period August 6, 2018 to December 31, 2023, are attached hereto as Exhibit A.

A. As of December 31, 2023

As of December 31, 2023, Cuatro's records reflect total assets in the amount of \$4,313,359, and total liabilities in the amount of \$14,195,825.

1. Assets

As of December 31, 2023, Cuatro's records reflect total assets in the amount of \$4,313,359, consisting of \$444,370 in cash and cash equivalents, \$3,831,399 in bonds at fair market value, \$12,233 in accrued investment income and \$25,357 in other restricted assets.

2. Liabilities

As of December 31, 2023, Cuatro's records reflect total liabilities of \$14,195,825, consisting of \$25,357 in secured claims, \$32,962 in Class One Administrative Expenses,² \$11,051,875 in Class Two Policyholder Claims, \$284,026 in Class Three Federal Government Claims, \$511 in Class Five State and Local Government Claims, and \$2,801,094 in Class Six General Creditor Claims.

3. Collection of Assets

As of December 31, 2023, the Liquidator collected a total of \$2,560,857 in assets consisting of \$242,096 in investment income, \$358,294 in pharmacy receipts, \$1,833,944 in receipts from the Centers for Medicare & Medicaid Services (CMS), and \$126,523 in miscellaneous assets.

4. Disbursements

As of December 31, 2023, the Liquidator had incurred and paid \$1,308,047 in administrative expenses, consisting of: \$564,003 for salaries of the Liquidator's staff and related payroll taxes, \$343,547 for employee relations and welfare, \$63,465 for rent and related expenses, \$211,355 for professional fees (*e.g.*, accountants to prepare financial statements and other consultants for litigation support), \$69,381 for general and administrative expenses

² This amount reflects the projected future cost for closing expenses.

(e.g., insurance, office equipment and supplies, printing, postage, and telephone services), and \$56,296 for miscellaneous receipts.

5. Payment to Claimants

No distribution of assets has yet been made to any class of claimant other than Class One. The Liquidator is in the process of verifying the contact and payment information of creditors with allowed Class Two claims and anticipates being able to make a final distribution within ninety days of the final closing order to all verified creditors.

Any unclaimed distributions will be escheated to New York State pursuant to the Abandoned Property Law. The Liquidator has established an online portal through which Cuatro creditors with allowed Class Two claims can search for unclaimed funds in their names. Notice of and accessibility to the unclaimed funds portal is available on the NYLB website at www.nylb.org.

RELIEF SOUGHT

The Liquidator submits this Closing Report to report that the affairs of the Cuatro liquidation proceeding have been completed and that 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 detailed 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. Authorizing the Liquidator to distribute Cuatro's assets, consistent with the priorities set forth in Insurance Law § 7434, to those former policyholders and creditors of Cuatro with allowed claims, to the extent that, in the Liquidator's discretion, sufficient funds are available;
4. Terminating and closing the liquidation proceeding;

5. Authorizing the NYLB to receive and disburse, without further application to this Court, any receipts that are received after the termination of the liquidation proceeding, and to use such assets, first, to pay all administrative expenses incurred in connection with the collection and disbursement of such additional assets, and then to distribute those assets to creditors of Cuatro with allowed claims who are eligible to share in a *pro rata* distribution;
6. Authorizing the NYLB, 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 Cuatro estate; and
7. Releasing and discharging the Liquidator, her predecessors, and successors in office, the NYLB, 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
February 7, 2024



David Axinn
Special Deputy Superintendent and
Agent of Adrienne A. Harris,
Superintendent of the Department of
Financial Services of the State of New York,
as Liquidator of Cuatro LLC

EXHIBIT A

Cuatro LLC

Assets As of December 31,

	<u>2023</u>
Unrestricted Assets:	
Cash and Cash Equivalents	\$ 444,370
Bonds, at fair market value	3,831,399
Total Cash, Cash Equivalents and Investments	<u>4,275,769</u>
Accrued Investment Income	12,233
Total Unrestricted Assets	<u>4,288,002</u>
Restricted Assets:	
Other Restricted Assets	25,357
Total Assets	<u>\$ 4,313,359</u>

Cuatro, LLC

Liabilities As of December 31,

	<u>2023</u>
Secured Claims	\$ 25,357
Class I - Administrative Claims	32,962
Class II - Claims and Related Costs	11,051,875
Class III - Federal Government Claims	284,026
Class IV - Employee Claims	-
Class V - State and Local Government Claims	511
Class VI - General Creditor Claims	2,801,094
Class VII - Late Filed Claims	-
Class VIII - Section 1307 (Shareholder) Loans	-
Class IX - Shareholder Claims	-
Total Liabilities	<u>14,195,825</u>
Other Post-Employment Benefits Liability	71,099
(Deficit) Surplus	(9,953,565)
Total Liabilities and (Deficit) Surplus	<u>\$ 4,313,359</u>

Cuatro, LLC

Receipts and Disbursements For The Period August 6, 2018 to December 31, 2023

	<u>2023</u>
Receipts:	
Net Investment Income	\$ 242,096
Pharmacy Receipts	358,294
Other Receipts	1,833,944
Miscellaneous	126,523
Total Receipts	<u>2,560,857</u>
Operating Expenses:	
Salaries	564,003
Employee Relations & Welfare	343,547
Rent and Related Expenses	63,465
Professional Fees	211,355
General and Administrative Expenses	69,381
Miscellaneous	56,296
Total Operating Expenses	<u>1,308,047</u>
Receipts over Disbursements	1,252,810
Cash and Cash Equivalents; Beginning of Period	3,151,816
Unrealized Loss on Investments	(128,857)
Cash and Cash Equivalents; End of Period	<u>\$ 4,275,769</u>