

**IN THE SUPREME COURT OF THE STATE OF NEVADA**

STATE OF NEVADA, EX. REL.  
COMMISSIONER OF  
INSURANCE, BARBARA D.  
RICHARDSON, in her official  
capacity as Receiver for Nevada  
Health Co-Op,

Petitioner,

v.

THE EIGHTH JUDICIAL  
DISTRICT COURT OF THE  
STATE OF NEVADA, IN AND  
FOR THE COUNTY OF CLARK,  
AND THE HONORABLE  
KATHLEEN DELANEY,  
DISTRICT JUDGE, DEPT. 25,

Respondents,

MILLIMAN, INC., a Washington  
Corporation; Jonathan L. Shreve, an  
individual; and Mary Van Der  
Heijde, and individual,

Real Parties in Interest,

Supreme Court Case No. 77682  
Dist. Court Case No. CA-17-760558-C  
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**PETITIONER'S APPENDIX**

**VOLUME II of III**

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## CHRONOLOGICAL INDEX OF APPELLANT'S APPENDIX

<b>VOL.</b>	<b>PAGES</b>	<b>DATE FILED</b>	<b>DESCRIPTION</b>
I	APP00001-2	10/20/11	Consulting Services Agreement between Milliman, Inc. and the Culinary Health Fund
I	APP00003-4	9/10/12	Consulting Services Agreement between Milliman, Inc. and Hospitality Health
I	APP00005-17	10/14/15	Permanent Injunction and Order Appointing Commissioner as Permanent Receiver of Nevada Health Co-Op
I	APP00018-22	12/6/16	Proof of Claim by Milliman, Inc.
I	APP00023-118	8/25/17	Complaint
I	APP00119-145	10/26/17	Millennium Consulting Services, LLC's Motion to Dismiss
I	APP00146-179	11/6/17	Motion to Compel Arbitration
I	APP00180-229	12/11/17	Plaintiff's Opposition to Milliman's Motion to Compel Arbitration
II	APP00230-266	12/18/17	Plaintiff's Opposition to Defendant Millennium Consulting Services, LLC's Motion to Dismiss
II	APP00267-295	1/3/18	Milliman's Reply in Support of Motion to Compel Arbitration
II	APP00296-339	1/9/18	Reporter's Transcript of Motion to Compel Arbitration Hearing
II	APP00340-383	1/9/18	Amended Reporter's Transcript of Motion to Compel Arbitration hearing
II	APP00384-395	1/9/18	Millennium Consulting Services, LLC's Reply in Support of its Motion to Dismiss
II	APP00396-405	3/12/18	Order Granting Milliman's Motion to Compel Arbitration
II	APP00406-411	3/28/18	Order Denying Millennium Consulting Services, LLC's Motion to Dismiss
II	APP00412-431	3/29/18	Plaintiff's Motion for Reconsideration
II	APP00432-446	4/16/18	Milliman's Opposition to Plaintiff's Motion for Reconsideration

III	APP00447-464	4/24/18	Plaintiff's Reply in Support of Motion for Reconsideration
III	APP00465-505	5/1/18	Reporter's Transcript of Plaintiff's Motion for Reconsideration
III	APP00506-517	6/1/18	Milliman's Supplemental Brief in Opposition to Plaintiff's Motion for Reconsideration
III	APP00518-542	6/29/18	Plaintiff's Sur-Reply in Support of Motion for Reconsideration
III	APP00543-551	8/8/18	Notice of Entry of Order Denying Plaintiff's Motion for Reconsideration

# ALPHABETICAL INDEX OF APPELLANT'S APPENDIX

<b>VOL.</b>	<b>PAGES</b>	<b>DATE FILED</b>	<b>DESCRIPTION</b>
II	APP00340-383	1/9/18	Amended Reporter's Transcript of Motion to Compel Arbitration hearing
I	APP00023-118	8/25/17	Complaint
I	APP00003-4	9/10/12	Consulting Services Agreement between Milliman, Inc. and Hospitality Health
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I	APP00119-145	10/26/17	Millennium Consulting Services, LLC's Motion to Dismiss
II	APP00384-395	1/9/18	Millennium Consulting Services, LLC's Reply in Support of its Motion to Dismiss
II	APP00432-446	4/16/18	Milliman's Opposition to Plaintiff's Motion for Reconsideration
II	APP00267-295	1/3/18	Milliman's Reply in Support of Motion to Compel Arbitration
III	APP00506-517	6/1/18	Milliman's Supplemental Brief in Opposition to Plaintiff's Motion for Reconsideration
I	APP00146-179	11/6/17	Motion to Compel Arbitration
III	APP00543-551	8/8/18	Notice of Entry of Order Denying Plaintiff's Motion for Reconsideration
II	APP00406-411	3/28/18	Order Denying Millennium Consulting Services, LLC's Motion to Dismiss
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II	APP00412-431	3/29/18	Plaintiff's Motion for Reconsideration
II	APP00230-266	12/18/17	Plaintiff's Opposition to Defendant Millennium Consulting Services, LLC's Motion to Dismiss
I	APP00180-229	12/11/17	Plaintiff's Opposition to Milliman's Motion to Compel Arbitration

III	APP00447-464	4/24/18	Plaintiff's Reply in Support of Motion for Reconsideration
III	APP00518-542	6/29/18	Plaintiff's Sur-Reply in Support of Motion for Reconsideration
I	APP00018-22	12/6/16	Proof of Claim by Milliman, Inc.
II	APP00296-339	1/9/18	Reporter's Transcript of Motion to Compel Arbitration Hearing
III	APP00465-505	5/1/18	Reporter's Transcript of Plaintiff's Motion for Reconsideration

## CERTIFICATE OF SERVICE

Pursuant to NRAP 25,1 certify that I am an employee of GREENBERG TRAURIG, LLP, that in accordance therewith, I caused a copy of *Petitioner's Appendix Volumes I – III* to be served to the Real Parties Interest via the Supreme Court's e-filing system on December 17, 2018, and upon:

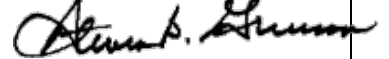
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With a courtesy copy to:

Judge Kathleen Delaney	Judge Timothy C. Williams
Eighth Judicial District Court	Eighth Judicial District Court
Clark County, Nevada	Clark County, Nevada
Regional Justice Center	Regional Justice Center
200 Lewis Avenue	200 Lewis Avenue
Las Vegas, NV 89155	Las Vegas, NV 89155
	(As the Judge to which this
	matter is currently assigned)

via hand delivery on December 18, 2018.

/s/ Andrea Lee Rosehill  
An Employee of Greenberg Traurig LLP



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**DISTRICT COURT  
CLARK COUNTY, NEVADA**

STATE OF NEVADA, EX REL.  
COMMISSIONER OF INSURANCE,  
BARBARA D. RICHARDSON, IN HER  
OFFICIAL CAPACITY AS RECEIVER FOR  
NEVADA HEALTH CO-OP,

Plaintiff,

v.

MILLIMAN, INC., a Washington Corporation;  
JONATHAN L. SHREVE, an Individual; MARY  
VAN DER HEIJDE, an Individual;  
MILLENNIUM CONSULTING SERVICES,  
LLC, a North Carolina Corporation; LARSON &  
COMPANY P.C., a Utah Professional  
Corporation; DENNIS T. LARSON, an  
Individual; MARTHA HAYES, an Individual;  
INSUREMONKEY, INC., a Nevada Corporation;  
ALEX RIVLIN, an Individual; NEVADA  
HEALTH SOLUTIONS, LLC, a Nevada Limited  
Liability Company; PAMELA EGAN, an  
Individual; BASIL C. DIBSIE, an Individual;  
LINDA MATTOON, an Individual; TOM  
ZUMTOBEL, an Individual; BOBBETTE  
BOND, an Individual; KATHLEEN SILVER, an  
Individual; DOES I through X inclusive; and ROE  
CORPORATIONS I-X, inclusive,

Defendants.

CASE NO. A-17-760558-C  
DEPT. NO. XXV

**PLAINTIFF'S OPPOSITION TO  
DEFENDANT MILLENNIUM  
CONSULTING SERVICES, LLC'S  
MOTION TO DISMISS**

1 Plaintiff, Barbara D. Richardson, Commissioner of Insurance in the State of Nevada, in her  
2 official capacity as Permanent Receiver of Nevada Health CO-OP (“Plaintiff” or “Receiver”), by  
3 and through her undersigned counsel, Greenberg Traurig, LLP, hereby submits this opposition to  
4 Defendant Millennium Consulting Services, LLC’s (“Millennium”) motion to dismiss (“Motion”).  
5 This opposition is based upon the following memorandum of points and authorities, the pleadings  
6 and papers on file herein, and any oral argument the Court may entertain at the time of hearing of  
7 this matter.

8 DATED this 18th day of December, 2017.

9 GREENBERG TRAURIG, LLP

10 /s/ Eric W. Swanis, Esq.

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20 **MEMORANDUM OF POINTS AND AUTHORITIES**

21 **I. INTRODUCTION**

22 Millennium seeks to have this Court relinquish its exclusive jurisdiction over NHC’s  
23 receivership proceedings in favor of a piecemeal transfer of one of the 16 named defendants to  
24 North Carolina. However, that would be contrary to Nevada’s complex and comprehensive  
25 statutory scheme for winding down insurance companies as laid out in Nevada’s Liquidation Act,  
26 NRS 696B, and the Receivership Court’s<sup>1</sup> Permanent Injunction and Order Appointing  
27 Commissioner as Permanent Receiver of Nevada Health Co-Op (the “Receivership Order”). This  
28 statutory scheme – and the Receivership Order issued under that statutory authority – have one  
overriding purpose: maximizing the value of the estate of the defunct insurance company for the

<sup>1</sup> The Hon. Judge Kenneth Cory, Clark County Nevada Eighth Judicial District, Dept. 1.



benefit of members, insureds, creditors, and the general public. The Commissioner, having been appointed the statutory receiver, must carry out that goal to attempt to recover NHC from parties, such as Millennium here, who have breached their duties and caused NHC to sustain tens of millions of dollars in damages. To state the obvious, wresting various fragments of this lawsuit into piecemeal faraway jurisdictions under another state's law is not in line with the purposes of the statute.

Further, Millennium's view is not in line with the law. As an initial matter, the Receiver, as a *non-signatory* to the Agreement, is not bound by the procedural terms – the forum selection clause and choice of law provision – upon which Millennium bases its motion. To hold otherwise would be contrary to the exclusive jurisdiction of this Court. Even if this Court were to find that the Receiver was effectively a signatory to the Agreement, bound to the clauses the same as NHC would have been, Millennium's argument still fails. Evaluating the clauses on the merits, the choice-of-law provision and the forum selection clause are invalid and should not be enforced. As such, this Court should deny the Motion.

## II. STATEMENT OF FACTS AND PROCEDURAL HISTORY

During late 2014, NHC sought out an accounting firm that was an expert in insurance accounting, reporting, and consulting. *See* Complaint at ¶ 136, on file herein. Based on Millennium's self-proclaimed expertise in statutory accounting and reporting regulations for the insurance industry, NHC entered into a service agreement (the "Agreement") with Millennium on January 7, 2015 to provide such services specifically to comply with Nevada insurance regulatory requirements. *Id.* at ¶¶ 137-140. The Agreement outlined Millennium's contractual obligations to NHC. *Id.* at ¶¶ 140-142. It contained a limited choice of law provision and a forum selection clause:

"This Agreement shall be governed in regards to its execution, interpretation or enforcement in accordance with the laws of the State of North Carolina. Venue for its enforcement or any action or proceeding based on this Agreement shall be in Wake County, North Carolina."

*See* Nevada Health CO-OP Agreement, dated January 7, 2015, attached as Exhibit 1 to Millennium's Motion to Dismiss, § 8.4.

1 The services provided by Millennium did not meet applicable statutory, professional, and  
2 contractual standards. *See* Complaint at ¶¶ 143-151. NHC began to incur significant losses for the  
3 year ending December 31, 2014, and Millennium failed to adequately disclose information relevant  
4 to NHC's ability to continue or to address the severity of NHC's financial position. *Id.* at ¶¶ 152-  
5 157. But for Millennium's failures, the Nevada Division of Insurance ("NDOI") would have been  
6 able to step in sooner and thus minimize the public's losses. *Id.* at ¶ 7.

7 As a result of Millennium's failure, as well as the failure of other named defendants, NHC  
8 was incapable of continuing, and the NDOI was forced to step in. *Id.* at 315. Amy L. Parks (the  
9 then acting Nevada Commissioner of Insurance) commenced the receivership action in the  
10 Receivership Court against NHC by filing a petition to appoint herself as the receiver of NHC under  
11 NRS 696B. *Id.* at ¶¶ 316. Thereafter, on October 14, 2015, the Receivership Court issued an order  
12 naming the Commissioner as permanent receiver of NHC (the "Receivership Order"). *Id.* at ¶ 318;  
13 *see Exhibit A*, Receivership Order. Cantilo & Bennett, L.L.P. was named as Special Deputy  
14 Receiver ("SDR").

15 Pursuant to the Court's Receivership Order and subsequent Final Order of Liquidation, the  
16 Receiver and the SDR are authorized to liquidate the business of NHC and wind up its ceased  
17 operations, including prosecuting suits on behalf of the numerous individuals and entities harmed  
18 by NHC's failure, including its members, insureds, creditors, and the general public. *See generally*  
19 Receivership Order; Complaint at ¶¶ 317-321.

20 As relevant here, the Receivership Order provides the following:

21 (1) ... The Receiver and the SDR are hereby directed to ***conserve and preserve the***  
22 ***affairs*** of CO-OP and are vested, in addition to the powers set forth herein, with  
23 all the powers and authority expressed or implied under the provisions of chapter  
24 696B of the Nevada Revised Statute ("NRS"), and any other applicable law. The  
25 Receiver and Special Deputy Receiver are hereby authorized to rehabilitate or  
26 liquidate CO-OP's business and affairs ***as and when they deem appropriate***  
27 ***under the circumstances and for that purpose may do all acts necessary or***  
28 ***appropriate for the conservation, rehabilitation, or liquidation*** of CO-OP....

(2) Pursuant to NRS 696B.290, the Receiver is hereby authorized with ***exclusive***  
***title to all of CO-OP's property*** (referred to hereafter as the "Property") and  
***consisting of all...[c]auses of action***, defenses, and rights to participate in legal  
proceedings...

(3) The Receiver is hereby directed to take immediate and exclusive possession and control of the Property except as she may deem in the best interest of the Receivership Estate. In addition to vesting title to all of the Property in the Receiver or her successors, the said ***Property is hereby placed in custodia legis of this Court and the Receiver***, and the Court hereby assumes and ***exercises sole and exclusive jurisdiction over all the Property and any claims or rights respecting the Property to the exclusion of any other court or tribunal***, such exercise of sole and exclusive jurisdiction being hereby found to be central to the safety of the public and of the claimants against CO-OP.

...  
(5) All persons, corporations, partnerships, associations and all other entities wherever located, are hereby ***enjoined and restrained from interfering in any manner*** with the Receiver's possession of the Property or her title to her right therein and from interfering in any manner with the conduct of the receivership of CO-OP.

...  
(8) All claims against CO-OP its assets or the Property must be submitted to the Receiver as specified herein ***to the exclusion of any other method of submitting or adjudicating such claims in any forum, court, or tribunal subject to the further Order of this Court***. The Receiver is hereby authorized to establish a Receivership Claims and Appeal Procedure, for all receivership claims. The Receivership Claims and Appeal Procedures shall be used to facilitate the orderly disposition or resolution of claims or controversies involving the receivership or the receivership estate.

...  
(11) The officers, directors, trustees, partners, affiliates, brokers, agents, creditors, insureds, employees, members, and enrollees of CO-OP, and all of the persons or entities of any nature including, but not limited to, claimants, plaintiffs, petitioners, and any governmental agencies who have claims of any nature against CO-OP, including cross-claims, counterclaims and third party claims, are ***hereby permanently enjoined and restrained from doing or attempting to do any of the following***, except in accordance with the express instructions of the Receiver or by Order of this Court:

...  
b. Commencing, bringing, maintaining or further prosecuting any action at law, suit in equity, ***arbitration***, or special or other proceeding against CO-OP or its estate, or the Receiver and her successors in office, or any person appointed pursuant to Paragraph (4) hereinabove;

...  
(14) The Receiver shall have the power and is hereby authorized to:

a. Collect all debts and monies due in claims belonging to CO-OP, wherever located, and for this purpose:(i) institute and maintain actions in other jurisdictions, in order to forestall garnishment and attachment proceedings against such debts; (ii) ***do such other acts as are necessary or expedient to marshal, collect, conserve or protect its assets or property***, including the power to sell, compound, compromise or assign debts for purposes of collection upon such terms and conditions as she deems appropriate, and the ***power to initiate and maintain actions at law or equity or any other type of action or proceeding of any nature, in this and other jurisdictions***; (iii) to pursue any creditors remedies available to enforce her claims;

1 ...  
2 h. Institute and to prosecute, in the name of CO-OP or in her own name, any  
3 and all suits and of the legal proceedings, to defend suits in which CO-OP or the  
4 Receiver is a party in this state or elsewhere, whether or not such suits are  
5 pending as of the date of this Order...

6 ...  
7 (19) No judgment, order, attachment, garnishment sale, assignment, transfer,  
8 hypothecation, lien, security interest or other legal process of any kind with  
9 respect to or affecting CO-OP or the Property shall be effective or enforceable or  
10 form the basis for a claim against CO-OP or the Property ***unless entered by the  
11 court, or unless the Court has issued its specific order***, upon good cause shown  
12 and after due notice and hearing, permitting same.

13 ...  
14 (24) The Court shall ***retain jurisdiction for all purposes necessary to effectuate  
15 and enforce this Order.***

16 See **Exhibit A**, Receivership Order (emphasis added).

17 On August 25, 2017, the Receiver instituted a contract and tort action on behalf of the  
18 numerous people and entities harmed by NHC's failure, asserting 63 causes of action against 16  
19 defendants, including Millennium. *See generally* Complaint. Pursuant to the Receivership Order,  
20 the action was initiated in the Eighth Judicial District Court, the situs of the receivership  
21 proceedings and the ***only court*** with jurisdiction over NHC's Property. As to Millennium, the  
22 Receiver asserts nine claims, including: (1) professional malpractice; (2) intentional  
23 misrepresentation (fraud); (3) negligent misrepresentation; (4) negligence; (5) breach of contract;  
24 (6) tortious breach of the implied covenant; (7) breach of the implied covenant of good faith and fair  
25 dealing; (8) negligent performance of an undertaking; and (9) unjust enrichment. *Id.* at ¶¶ 418-477.

26 Additionally, the Receiver asserts two additional causes of action against Millennium and all  
27 other defendants, asserting that all defendants acted jointly as part of a civil conspiracy and in  
28 concert of action and, thus, are jointly and severally liable for the damages described in the  
complaint. *Id.* at ¶¶ 754-769.

III. ARGUMENT

Millennium was engaged to assure that financial reporting by NHC would be accurate and in  
compliance with Nevada's insurance laws. Had those requirements been met, NDI would have  
learned of NHC's deepening insolvency much earlier and been able to institute remedial measures  
long before it actually did, thereby avoiding much of the economic loss that followed. Millennium

1 wants to treat this case like a garden-variety dispute between two private entities that signed a  
2 contract with a forum selection clause and choice-of-law clause. Accordingly, Millennium jumps  
3 right in to a discussion of the substance of the forum selection clause and choice-of-law provision.  
4 However, Millennium misses the mark.

5 First, this Court must determine whether to give any weight to the clauses *at all*. In other  
6 words, this Court does not even need to evaluate the clauses as the Receiver is not a signatory to the  
7 Agreement. Second, even if the Court finds that the Agreement's choice of law and forum selection  
8 provisions apply, this Court should nevertheless elect not to enforce those provisions where doing  
9 so would violate Nevada public policy, namely, the uniform and orderly winding-up of the affairs of  
10 insolvent insurers for the benefit of Nevada citizens and creditors. Finally, the choice of law/choice  
11 of venue provision is not broad enough to encompass the claims of this case and, at a minimum,  
12 there is simply no basis for transferring the Receiver's non-contract claims outside of Nevada.

13 **A. The Provisions of the Private Agreement Do Not Bind the Receiver Where the Receiver**  
14 **is Not a Signatory to the Agreement and Where this Court has Exclusive Jurisdiction.**

15 For the reasons stated below, the provisions of the private agreement do not bind the  
16 Receiver where the Receiver is not a signatory to that agreement and where this Court has exclusive  
17 jurisdiction. As such, this Court should deny Millennium's Motion.

18 **1. As a Non-Signatory, the Receiver is Not Bound by the Agreement's Provisions.**

19 It is black-letter law that absent special circumstances, the provisions of a contract only bind  
20 the signatories to that contract. *See County of Clark v. Bonanza No. 1*, 96 Nev. 643, 648-49, 615  
21 P.2d 939, 943 (Nev. 1980) ("As a general rule, none is liable upon a contract except those who are  
22 parties to it."). While Nevada courts recognize the presumptive validity of forum selection clauses  
23 and choice of law provisions, there is a presumption *against* compelling non-signatories to abide by  
24 such clauses. *See e.g. Martin v. DeMauro Constr. Corp.*, 104 Nev. 506, 507, 761 P.2d 848, 849  
25 (1988) (declining to consider the applicability of a forum selection clause against a nonsignatory  
26 who was the executrix of a will); *V.C.X., Ltd. v. Burge*, No. 2:06-CV-00641-PMP-RJJ, 2006 U.S.  
27 Dist. LEXIS 88050, at \*9 (D. Nev. Nov. 30, 2006) (forum selection clause had no force or effect as  
28 to nonsignatory); *Rivercard, LLC v. Post Oak Prods., Inc.*, No. 2:12-CV-1150 JCM (CWH), 2012

1 U.S. Dist. LEXIS 168712, at \*12 (D. Nev. Nov. 28, 2012) (choice of law clause not binding).  
2 Indeed, where a signatory seeks to enforce a forum selection clause against a non-signatory, “that  
3 party bears the burden to prove the theory upon which it relies to bind the nonsignatory to the  
4 contract.” *CNOOC Se. Asia Ltd. v. Paladin Res. (Sunda) Ltd.*, 222 S.W.3d 889, 895 (Tex. Ct. App.  
5 2007). In avoiding this threshold issue, Millennium has failed to meet its own burden, and its  
6 Motion therefore fails as a matter of law.

7 Here, the Receiver is not a signatory – in reality or in legal effect – to the Agreement. As  
8 such, this Court should not dismiss the action under the forum selection clause. Millennium makes  
9 two unpersuasive arguments to the contrary: (1) because a receiver “steps into the shoes” of its  
10 predecessor, the Receiver here is bound; and (2) the Receiver cannot seek to enforce some parts of  
11 the Agreement, but at the same time disavow others. Both arguments fail.

12 ***a. The Receiver Did Not Simply Step into the Shoes of NHC.***

13 Because the Receiver is not a signatory to the Agreement, this Court should not require her –  
14 and by extension, the members, creditors, policyholders, and the general public that she represents –  
15 to be bound by choice-of-law and forum selection clauses that she did not know about and did not  
16 agree to at the time the Agreement was executed. Although the Receiver has the ability to bring  
17 causes of action for the benefit of the NHC estate, courts have held that liquidators or receivers of  
18 defunct insurers do not simply “stand in the shoes” of an insolvent insurer, because he or she also  
19 represents the members, insureds, creditors, and the general public. *See Taylor v. Ernst & Young*,  
20 130 Ohio St. 3d 411, 419, 958 N.E.2d 1203, 2012 (Ohio 2011) (“[t]he fact that any judgments in  
21 favor of the liquidator accrue to the benefit of insureds, policyholders, and creditors means that the  
22 liquidator’s unique role is one of public protection...”); *see generally Cordial v. Ernst & Young*,  
23 483 S.E.2d 248, 257 (W.Va. 1996) (insurance commissioner as receiver for an insurer “acts as the  
24 representative of interested parties, such as the defunct insurer, its policyholders, creditors,  
25 shareholders, and other affected members of the public,” not simply as the defunct insurer). In  
26 other words, the position of the Receiver in this case is inherently one established in the interest of  
27 the public, and this public interest cannot be limited by an agreement signed by private parties. *See*  
28 *e.g. In re Freestone Ins. Co.*, 143 A.3d 1234, 1260-61 (Del. Ch. 2016) (private parties are not

1 allowed to “trump the statutory provisions and public policies of the domiciliary state, such as the  
2 public policy of centralizing proceedings in the domiciliary jurisdiction and the statutory provisions  
3 that implement that policy”). For example, in *Arthur Andersen v. Superior Court*, the court rejected  
4 the defendant’s argument that an insurance liquidator acts as a typical receiver, holding:

5 No authority is offered for the proposition that the Insurance Commissioner acts  
6 merely as an ordinary receiver. Ordinary receivers do not become involved until  
7 control of a business is taken away from its officers or owners due to insolvency,  
8 deadlock or other causes. Ordinary receivers do not monitor the solvency of an  
9 entity on behalf of persons, such as policyholders, who do business with the  
10 entity. The Insurance Code, by contrast, assigns such pre-conservatorship duties  
11 to the Insurance Commissioner. (See, e.g., Ins. Code, § 730, subd. (b).) In  
12 carrying out these duties, the Insurance Commissioner acts not in the interests of  
13 the equity owners of the insurance company, but rather in the interests of  
14 policyholders. Thus the Insurance Commissioner in this case is not seeking  
15 merely to prosecute claims of an entity under receivership. To the contrary, the  
16 essence of the Insurance Commissioner’s claim is that AA damaged the  
17 policyholders. Thus even though a receivership may bear some points of analogy  
18 to a statutory insurance company liquidation (primarily in that each can involve  
19 the marshalling of the assets of an estate), an ordinary receivership is a different  
20 procedure for a different situation.

21 67 Cal. App. 4th at 1495.

22 Such is the case here. Nevada’s statutory framework was not designed to primarily protect  
23 insurance companies, but rather their insureds and their creditors, *i.e.*, persons other than NHC who  
24 were damaged as a result of Millennium’s actions. The Receiver is suing “on behalf of” NHC’s  
25 members, insured enrollees, creditors and others. *See* Complaint, at ¶ 1. While Millennium may  
26 argue it is fair to bind *NHC* to such clauses in an agreement that its predecessor signed, it is not fair  
27 to bind those that had absolutely no say in that agreement – *e.g.*, members, insureds, creditors, and  
28 the general public – to those terms. This is especially true here, where the gravamen of the  
agreement was compliance with Nevada law and enforcement of the clauses would result in  
litigation occurring piecemeal in a faraway jurisdiction under North Carolina state law and be a  
waste of the Receiver’s limited resources. Because the Receiver is not merely acting on behalf of  
NHC here, but rather on behalf of the defunct insurance company’s members, insureds, creditors,  
and the general public, it would be unjust to force application of the choice of law and forum  
selection clauses.

1 Millennium's cited cases do not substantiate its assertion that the liquidation proceedings  
2 play no part in the analysis. As they all involve issues surrounding removal to federal court and  
3 conflicts involving state and federal law under the Federal Arbitration Act (the "FAA"), they are not  
4 applicable.<sup>2</sup> As more fully discussed in the Receiver's Opposition to Milliman's Motion to Compel  
5 Arbitration, which is hereby incorporated by reference, the FAA is reverse pre-empted under the  
6 McCarran-Ferguson Act. Furthermore, the unique case law that has developed regarding federal  
7 arbitration is not directly applicable to the analysis of contractual choice of law provisions or choice  
8 of venue provisions and Millennium has failed to cite any cases that establish such a connection.

9 ***b. The Receiver is Not Estopped from Disavowing the Forum Selection and***  
10 ***Choice-of-Law Provisions.***

11 Millennium's second argument is that the Receiver cannot "assert a claim that arises from  
12 and is intertwined with the contract while at the same time disavowing a provision in that contract  
13 requiring litigation in the forum selected by the parties when the bargain was struck." *See* Motion,  
14 at 12. Again, it bears repeating that the general rule is that a party ***cannot*** be bound to a contract it  
15 did not sign. *See County of Clark v. Bonanza No. 1*, 615 P.2d at 943 ("As a general rule, none is  
16 liable upon a contract except those who are parties to it."). The principle hinted at by Millennium –  
17 known as equitable estoppel or direct benefits estoppel – is an exception to this general rule; it  
18 provides that a non-signatory may be bound if it seeks to enforce rights under an agreement, as it  
19 cannot disavow portions of that same agreement. *See* Motion, at 11; *Truck Ins. Exch. v. Swanson*,  
20 124 Nev. 629, 636, 189 P.3d 656, 661 (2008) (holding nonsignatory law firm not estopped from  
21 refusing to comply with arbitration clause where it received no direct benefits under agreement).

22  
23  
24 <sup>2</sup> In *Foster v. Chesapeake Ins. Co.*, 933 F.2d 1207 (3d Cir. 1991), the defendant sought removal to federal  
25 court, and the Commissioner sought remand. The court found the defendant had waived his right to remove  
26 pursuant to the forum selection clause and that a forum selection clause is not a ground for remand.  
27 Likewise, in *Dinallo v. Dunay Ins. Co.*, 672 F. Supp. 2d 368 (S.D. N.Y. 2009), the court found that the forum  
28 selection clauses operated as waiver of removal rights to federal court. In *Bennett v. Liberty Nat'l Fire Ins. Co.*, 968 F.2d 969, 973 (9th Cir. 1992), the court enforced an arbitration agreement against a receiver where the receiver was unable to articulate how arbitration interfered with a valid state regulatory purpose. Here, however, the existence of numerous parties to the action and, in particular, the claims involving all defendants, are sufficient to distinguish the cited cases and illustrate the necessity of consolidation of this action in one forum.



1           However, estoppel has its limits. Courts have found that while certain contractual  
2 provisions may be enforced against a non-signatory where the non-signatory “receives a direct  
3 benefit from the contract containing an arbitration clause,” this exception **does not apply** to non-  
4 signatories whose interests might be related to, but do not flow from, the contractual interest of a  
5 signatory to the agreement. *See e.g. Truck Ins. Exch.*, 124 Nev. at 637, 189 P.3d at 661-62 (finding  
6 that party who was not signatory to written agreements, and who did not directly benefit from those  
7 agreements in initiating its cause of action, was not estopped from repudiating arbitration  
8 agreement).<sup>3</sup> Where any benefit to the non-signatory is indirect, even where the claims are  
9 “intertwined with the underlying contract,” only the signatory is estopped from avoiding the clause.  
10 *See Javitch v. First Union Sec., Inc.*, 315 F.3d 619, 629 (6th Cir. 2003), citing *Thomson-CSF v. Am.*  
11 *Arbitration Ass’n*, 64 F.3d 773, 779 (2d Cir. 1995) (“When only an indirect benefit is sought...it is  
12 only the signatory that may be estopped from avoiding arbitration with a non-signatory when the  
13 issues the non-signatory is seeking to resolve are intertwined with the underlying contract,” and  
14 vacating the lower court’s decision for further consideration of this issue).

15           Here, this logic applies. The Receiver is not the direct beneficiary of the Agreement. The  
16 Receiver represents a number of other interests, such as the failed insurer’s members, insureds,  
17 creditors, as well as the general public, and does not herself receive a “direct benefit” from the  
18 Agreement. She did not utilize Millennium to draft changes to her financial statements or to assist  
19 in regulatory filings by ensuring her filings were compliant with statutory law. As such, equitable  
20 estoppel does not apply here.

21           Finally, equitable estoppel is by its nature a creature of equity: it is an exception that seeks  
22 to do what is fair. Here, it would not be fair to send the claims against a single defendant,  
23 Millennium, to North Carolina in this case having 15 other defendants who are litigating here in  
24 Nevada. This would increase litigation costs and reduce the funds remaining for distribution to  
25 claimants – the policyholders and creditors that never agreed to such an arrangement.

26           <sup>3</sup> *See also Cole v. Am. Cmty. Servs., Inc.*, 2006 U.S. Dist. LEXIS 75431, 2006 WL 2987815, at \*3 (S.D. Ohio  
27 Oct. 17, 2006) (non-signatory not bound to choice-of-law clause where it was bargained for years before the  
28 incident such that it would not be foreseeable to bind the non-signatory); *Am. S.S. Owners Mut. Prot. &*  
*Indem. Ass’n v. Henderson*, 2013 U.S. Dist. LEXIS 43547, at \*14 (S.D. N.Y. Mar. 26, 2013) (applying direct  
benefits estoppel to choice of law clauses).

1           **2. Millennium’s Argument that Nothing in Chapter 696B Mandates Exclusive**  
2           **Jurisdiction in this Court Fails.**

3           Millennium next argues that “nothing in Chapter 696B mandates that a Nevada court have  
4 exclusive jurisdiction over this case.” *See* Motion, at 12. Millennium goes on to argue that the  
5 Receivership Order permits the Receiver to litigate anywhere, and that the Receivership Order  
6 “pave[s] the way for enforcement of the forum-selection clause.” This strained reading of the  
7 Receivership Order is not tenable.

8           Chapter 696B, Nevada’s Liquidation Act, incorporates the Uniform Insurers Liquidation  
9 Act (“UILA”). *See* NRS 696B.280. The general purpose of the UILA is to “centraliz[e] insurance  
10 rehabilitation and liquidation proceedings *in one state’s court* so as to protect all creditors equally.”  
11 *Frontier Ins. Serv. v. State*, 109 Nev. 231,236, 849 P.2d 328, 331 (1992), *quoting Dardar v. Ins.*  
12 *Guaranty Ass’n*, 556 So. 2d 272, 274 (La. Ct. App. 1990) (emphasis added). Similarly, the UILA’s  
13 overall purpose is to protect the interests of members, insureds, creditors, and the general public.  
14 *See e.g.* NRS 696B.210, 696B.530, 696B.540; *see also* Joint Meeting of the Assembly and Senate  
15 Standing Committees on Commerce, March 25, 1977 (summarizing statements by Richard  
16 Rottman, Insurance Commissioner, and Dr. Tom White, Director of Commerce Department)  
17 (Nevada’s insurance law was “designed to help the Insurance Division regulate the industry on  
18 behalf and primarily in the interests of the public of the State of Nevada”). Applying the law of the  
19 domiciliary state, as well as having centralized proceedings in one state’s court, advances these  
20 purposes. *See Munich American Reinsurance Co. v. Crawford*, 141 F.3d 585, 593 (5th Cir. 1988)  
21 (“[Consolidating claims in one court] eliminates the risk of conflicting rulings, piecemeal litigation  
22 claims, and unequal treatment of claimants, all of which are of particular interest to insurance  
23 companies and policyholders, as well as other creditors.”); *Frontier Ins. Serv.*, 109 Nev. at 236, 849  
24 P.2d at 3341; *In re Freestone Ins. Co.*, 143 A.3d at 1260-61; *see also Benjamin v. Pipoly*, 184, 800  
25 N.E.2d 50, 60 (Ohio Ct. App. 2003)([C]ompelling arbitration against the will of the liquidator will  
26 always interfere with the liquidator’s powers and will always adversely affect the insurer’s assets.”).

27           Indeed, Nevada’s Liquidation Act recognizes the need for consolidation *in one court* via  
28 various statutory provisions. *See e.g.* NRS 696B.190(1) (district court has original jurisdiction over

1 delinquency proceedings under NRS 696B.010 to 696B.565, inclusive, and any court with  
2 jurisdiction may make all necessary or proper orders to carry out the purposes of those sections);  
3 NRS 696B.190(4) (“No court has jurisdiction to entertain, hear or determine any petition or  
4 complaint praying for the dissolution, liquidation, rehabilitation, sequestration, conservation or  
5 receivership of any insurer...or other relief ...relating to such proceedings, other than in accordance  
6 with NRS 696B.010 to 696B.565, inclusive.”); NRS 696B.270 (“The court may at any time during  
7 a proceeding...issue such other injunctions or orders as may be deemed necessary to prevent  
8 interference with the Commissioner or the proceeding, or waste of the assets of the insurer, or the  
9 commencement or prosecution of any actions...”)<sup>4</sup> Likewise, the Receivership Court, acting  
10 within its statutory authority, ordered that it would exercise “sole and exclusive jurisdiction” over  
11 all NHC property – which includes choses in action - “to the exclusion of any other court or  
12 tribunal.”

13 Further, there is no dispute that the Receivership Order governs this action. A review of the  
14 Receivership Order states that it provides the Receiver, consistent with the Nevada law, with broad  
15 power to “conserve and preserve the affairs of” NHC, including performing “all acts necessary or  
16 appropriate for the conservation, rehabilitation, or liquidation” of NHC. In other words, the  
17 Receiver is tasked with maximizing the value of the estate of NHC for the purposes of those with  
18 claims against the estate. It gives the Receiver legal and equitable title to all NHC “Property,”  
19 which explicitly includes causes of action, defenses, and rights to participate in legal proceedings.  
20 See **Exhibit A**, Receivership Order, at (2)(b). It also places all property, and any claims or rights  
21 respecting the property in the “sole and exclusive jurisdiction” of the Court, **to the exclusion of any**  
22 **other court or tribunal**. See *id.*, at (3). The fact that later in the order, the Receiver is “authorized”  
23 to “collect all debts and monies due and claims belonging to [NHC], and for this purpose:...to do  
24 such other acts as are necessary or expedient to marshal, collect, conserve, or protect its assets or

25  
26 <sup>4</sup> North Carolina has adopted UILA. See *State ex rel. Ingram v. Reserve Ins. Co.*, 281 S.E.2d 16, 20 (N.C.  
27 1981), citing 25 N.C. L. Rev. 429 (1947); see also G.S. 58-155.10 to 58-155.17. Indeed, under the UILA,  
28 domiciliary courts can issue injunctions against third-party claims against insurers in liquidation, which  
foreign courts will recognize to facilitate the purpose of centralizing proceedings involving defunct insurers.  
*Integrity Ins. Co. v. Martin*, 105 Nev. 16, 19 n.1, 769 P.2d 69, 70 (1989); *In re Freestone Ins. Co.*, 143 A.3d  
1234, 1249 (Del. Ch. 2016).

property, including the power...to initiate and maintain actions at law or equity or any other type of action or proceeding of any nature, in this, and other jurisdictions...” *id.*, at (14)(a), does not negate the Court’s exclusive jurisdiction. By authorizing the Receiver to litigate in other jurisdictions when necessary, the Receivership Order simply provides the Receiver with the authority to marshal assets when she can only do so in another court for jurisdictional reasons (such as when exclusive federal jurisdiction or personal jurisdiction issues exist).

A similar situation arose in Ohio in *Taylor v. Ernst & Young*. There, the Ohio statute provided that all liquidation actions were to be brought in the court of common pleas of Franklin County, and other statutory provisions were in accord, but still other provisions stated that as part of the liquidator’s power to collect debts, the liquidator may institute actions in other jurisdictions, litigate “elsewhere,” and submit the value of a security to arbitration. *See Taylor*, 130 Ohio St.3d. 411, 415-16. The Ohio Supreme Court addressed the arguably conflicting provisions by noting that “*when allowed, forum selection belongs to the liquidator and the liquidator alone.*” *Id.* at 416 (emphasis added). Here, the complementary provisions in the Receivership Order are similar: they simply provide that where there is *discretion* to choose a forum, that discretion belongs to the Receiver. *See also Bard v. Charles R. Myers Ins. Agency, Inc.*, 839 S.W.2d 791, 796-97 (Tex. 1992) (the Receiver’s ability to sue outside the receivership court does not open up the receivership estate to lawsuits in foreign jurisdictions). Here, the Receiver has appropriately initiated against Millennium litigation in the Eighth Judicial District Court, and Section (14) does not come into play.

As such, jurisdiction is exclusive in the Eighth Judicial District Court, and this Court should deny the Motion.

**B. Even if This Court Finds that the Receiver is Bound to the Extent a Signatory Would be by the Forum Selection and Choice-of-Law Clauses, this Court Should Decline to Enforce Them.**

Millennium argues that this Court should accept the North Carolina choice-of-law provision, then use it to evaluate – under North Carolina law – whether the forum selection clause is valid. This puts the cart before the horse. As noted above, there are significant and valid reasons why

1 these clauses should not even be considered. Even considering them, however, this Court should  
2 evaluate whether the choice-of-law provision is valid prior to applying it.

3 **1. The Choice-of-Law Provision is Invalid.**

4 Millennium assumes that the choice-of-law provision is valid. However, a choice-of-law  
5 provision is valid only where (1) “[t]he situs fixed by the agreement [has] a substantial relation with the  
6 transaction,” and (2) the agreement is not contrary to the public policy of the forum. *Ferdie Sievers &*  
7 *Lake Tahoe Land Co. v. Diversified Mortgage Investors*, 95 Nev. 811, 815, 603 P.2d 270, 273 (1979);  
8 *Pentax Corp. v. Boyd*, 111 Nev. 1296, 1299, 904 P.2d 1024, 1026 (1995); *Sievers v. Diversified Mtg.*  
9 *Investors*, 95 Nev. 811, 815, 603 P.2d 270, 273 (1979).<sup>5</sup> Additionally, parties are required to “act in  
10 good faith and not for the purpose of evading the law of the real situs of the contract” in choosing choice  
11 of law provisions. *Engel v. Ernst*, 102 Nev. 390, 395, 724 P.2d 215, 217 (1986).

12 Choice of law provisions are not enforced where “application of the law of the chosen state  
13 would be contrary to a fundamental policy of the state which has a materially greater interest than  
14 the chosen state in the determination of the particular issue and which...would be the state of the  
15 applicable law in the absence of an effective choice of law by the parties.” *Restat. 2d of Conflict of*  
16 *Laws*, § 187(2)(b) (2nd 1988) (emphasis added); *see also Progressive Gulf Ins. Co. v. Faehnrich*,  
17 327 P.3d 1061, 1064 (Nev. 2014) (quoting Restatement regarding public policy).

18 Here, application of North Carolina law in this situation is unreasonable, as the chosen situs  
19 here has almost no relation with the transaction, and the significant contacts are almost exclusively  
20 grouped in Nevada. NHC – Nevada’s state-run health cooperative – is a non-profit Nevada  
21 corporation, located exclusively in Nevada, which existed for the sole purpose of providing health  
22 insurance for Nevada’s residents within Nevada’s health insurance market in accordance with  
23 Nevada law. *See* Complaint at ¶¶ 15, 34, 37-38. Millennium was engaged by NHC to prepare and  
24 file its financial statements and supplemental reports with the Nevada Division of Insurance, “in  
25

26 <sup>5</sup> North Carolina law is substantially similar to Nevada law in this area, stating a choice of law provision is not  
27 enforceable unless: (1) the parties had a reasonable basis for their choice of law, and (2) the law of the chosen  
28 state cannot sanction a violation of a fundamental public policy of the state or otherwise applicable law. *Torres*  
*v. McClain*, 535 S.E.2d 623, 625 (N.C. Ct. App. 2000). *See also Cable Tel Servs. v. Overland Contracting*, 574  
S.E.2d 31, 34 (N.C. Ct. App. 2002) (stating the circumstances where North Carolina courts will not honor a  
choice of law provision, as contained in the Restatement (Second) of Conflicts of Law, § 187).

1 accordance with statutory accounting and reporting rules prescribed and permitted by the State of  
2 Nevada,” and it misreported the financial accounting to Nevada’s regulators. *See id.*, ¶¶ 7, 135,  
3 140-41 (emphasis added). These actions occurred in Nevada. The damages occurred in the state of  
4 Nevada. The public interest of North Carolina is not substantially related to this action. The true  
5 situs of this Agreement is Nevada. Moreover, Nevada has a “materially greater interest” than North  
6 Carolina does in the determination of these particular issues. As such, the choice of law provision  
7 in the Agreement is unenforceable, and Nevada law governs in this case.

8 Additionally, public policy weighs heavily against enforcing the choice of law provision at  
9 issue here. NRS 696B establishes a public policy to protect the innocent victims of a delinquent  
10 insurance company, including NHC’s members, insureds, creditors, and the general public, who  
11 virtually all reside in the state of Nevada. Nevada has an overwhelming interest to protect its own  
12 citizens in this matter, under its own laws. *See G.C. Murphy Co. v. Reserve Insurance Co.*, 429  
13 N.E.2d 111, 117 (N.Y. 1981) (The states have a paramount interest “in seeing that insurance  
14 companies domiciled within their respective boundaries are liquidated in a uniform, orderly and  
15 equitable manner without interference from external tribunals.”).

16 **2. Absent a Valid Choice-of-Law Provision, this Court Must Determine What Law to**  
17 **Apply; Here, That Law is Nevada’s.**

18 In the absence of a valid choice of law by the parties, a court must determine which law to  
19 apply under choice-of-law principles. Nevada follows the Restatement (Second) of Conflicts of  
20 Laws in determining choice-of-law questions involving contracts. *See Progressive Gulf Ins. Co. v.*  
21 *Faehnrich*, 327 P.3d 1061, 1063 (Nev. 2014), citing *Ferdie Sievers & Lake Tahoe Land Co. v.*  
22 *Diversified Mortgage Investors*, 95 Nev. 811, 815, 603 P.2d 270, 273 (1979); *Behr v. Behr*, 266  
23 S.E.2d 393, 395 (N.C. Ct. App. 1980) (citing Restatement (Second) of Conflicts of Law, § 187). In  
24 explaining this section of the Restatement, the commentators explain, “Fulfillment of the parties’  
25 expectations is not the only value in contract law; regard must also be had for state interests and for  
26 state regulation. The chosen law should not be applied without regard for the interests of the state  
27 which would be the state of the applicable law with respect to the particular issue involved in the  
28 absence of an effective choice by the parties.” *Restat 2d of Conflict of Laws*, § 187, cmt. g.

1 Nevada considers the following five factors to determine which law has the most significant  
2 relationship with the transaction: the place of contracting, the place of negotiation of the contract,  
3 the place of performance of the contract, the location of the subject matter of the contract, and the  
4 domicile, residence, nationality, place of incorporation, and place of business of the parties. *See*  
5 *Sotirakis v. United Serv. Auto. Ass’n*, 106 Nev. 123, 126, 787 P.2d 788, 790 (1990); *Williams v.*  
6 *United Servs. Auto. Ass’n*, 109 Nev. 333, 334, 849 P.2d 265, 266 (1993) (applying the five factors  
7 to an insurance contract and finding, *inter alia*, that the “location of the insured risk embodies a  
8 significant criterion in deciding which law governs...[T]he local law of the state which the parties  
9 understood as the principal location of the insured risk during the term of the policy determines the  
10 rights and duties under the insurance contract.”).

11 In this instance the subject matter of the contract predominates among the five factors.  
12 While NHC was a Nevada company and Millennium was from North Carolina, the subject matter of  
13 the contract was for Millennium to prepare and file statutory statements with the Nevada Division  
14 of Insurance and to respond to regulatory letters from the Nevada Division of Insurance, among  
15 other services. *See* Nevada Health CO-OP Agreement, dated January 7, 2015, attached as Exhibit 1  
16 to Millennium’s Motion to Dismiss, at 1. Delivery was also to the Nevada Division of Insurance, a  
17 governmental unit of the State of Nevada. None of the services performed related to North  
18 Carolina. Thus under Nevada law, Nevada has the most significant relationships with the  
19 Agreement, and Nevada law should apply.

20 **3. The Forum Selection Clause is Invalid Under Nevada Law and Should Not be**  
21 **Enforced.**

22 Although forum selection clauses are enforceable if they are “freely negotiated and not  
23 “unreasonable or unjust,” they are not inviolate; there are many circumstances in which they will  
24 not be enforced. *See Tandy Computer Leasing, a Div. of Tandy Elecs., Inc. v. Terina’s Pizza, Inc.*,  
25 105 Nev. 841, 843, 784 P.2d 7, 8 (1989) (forum selection clause unenforceable because it was not  
26 negotiated and it contravened Nevada public policy); *see also Tuxedo Int’l Inc. v. Rosenberg*, 127  
27 Nev. 11, 22, 251 P.3d 690, 697 (2011) (forum selection clause inapplicable to tort claims unless the  
28 parties intended otherwise); *Cory v. eBET Ltd. (In re Sona Mobile Holdings Corp.)*, No. 2:12-cv-

00252-PMP-NJK, 2013 U.S. Dist. LEXIS 94206, at \*10 (D. Nev. July 5, 2013) (internal citation omitted) (stating that courts find forum selection clauses unreasonable where, *inter alia*, “enforcement would contravene a strong public policy in the forum in which suit is brought”).

Here, this case is a textbook example of where the public policy of the state should take precedence over a forum selection clause. As noted above, Nevada’s Liquidation Act establishes a comprehensive system for the orderly winding-down and distribution of the assets of a defunct insurer. It is meant to “centraliz[e] insurance rehabilitation and liquidation proceedings in one state’s court so as to protect all creditors equally.” *Frontier Ins. Serv. v. State*, 109 Nev. 231, 236, 849 P.2d 328, 331 (1993) (referencing the Uniform Act), quoting *Dardar v. Ins. Guaranty Ass’n*, 556 So. 2d 272, 274 (La. Ct. App. 1990). Its overall purpose is to protect the interests of the liquidated insurer’s members, insureds, creditors, and the general public. *See e.g.* NRS 696B.210, 696B.530, 696B.540; *see also* Joint Meeting of the Assembly and Senate Standing Committees on Commerce, March 25, 1977 (summarizing statements by Richard Rottman, Insurance Commissioner, and Dr. Tom White, Director of Commerce Department) (Nevada’s insurance law was “designed to help the Insurance Division regulate the industry on behalf and primarily in the interest of the public of the State of Nevada”). Applying the law of the domiciliary state, as well as centralizing proceedings in one state’s court, advances these purposes. *See Frontier Ins. Serv.*, 109 Nev. at 236, 849 P.2d at 331; *In re Freestone Ins. Co.*, 143 A.3d at 1260-61. Moving part of this litigation to North Carolina, under North Carolina law, would be in direct contravention to the public policy of Nevada.

**4. Even if This Court Were to Apply North Carolina Law as Millennium Suggests, It Would Yield the Same Result.**

Even if the Court were to apply North Carolina law, the Court would reach the same result. Under North Carolina law, a choice of law provision is not enforceable unless: (1) the parties had a reasonable basis for their choice of law, and (2) the law of the chosen state cannot violate a fundamental public policy of the state or otherwise applicable law. *Torres v. McClain*, 535 S.E.2d 623, 625 (N.C. Ct. App. 2000). *See also Cable Tel Servs. v. Overland Contracting*, 574 S.E.2d 31, 34 (N.C. Ct. App. 2002) (stating the circumstances where North Carolina courts will not honor a choice of law provision, as contained in the Restatement (Second) of Conflicts of Law, § 187).



1           However, even if the Court were to use North Carolina law in determining whether the  
2 forum selection clause is valid, the forum selection clause would still be unenforceable. Under  
3 North Carolina law, a forum selection clause is invalid where fraud or overreaching are present, or  
4 where enforcement would otherwise be unreasonable or unjust. *Perkins v. CCH Computax, Inc.*,  
5 423 S.E.2d 780, 783 (N.C. 1992) (internal citation omitted). Additionally, a forum selection clause  
6 is invalid “if enforcement would contravene a strong public policy in the forum in which suit is  
7 brought.” *Id.* For all the reasons already stated herein, enforcement of a forum selection clause  
8 here would be “unreasonable and unjust” and would violate Nevada’s public policy to regulate its  
9 insolvent insurance industry in the interest of its own citizens.

10 **C. At Minimum, this Court Must Retain Non-Contract Claims**

11           At minimum, the Court should determine that the Receiver’s tort-based claims are not  
12 subject to the forum selection clause and must be litigated before this Court. The Receiver has  
13 asserted the following tort claims against Millennium: professional malpractice (15<sup>th</sup> cause of  
14 action), fraud and intentional misrepresentation (16<sup>th</sup> cause of action), negligent misrepresentation  
15 (17<sup>th</sup> cause of action), negligence (18<sup>th</sup> cause of action), negligent performance (22<sup>nd</sup> cause of  
16 action), unjust enrichment (23<sup>rd</sup> cause of action), civil conspiracy (62<sup>nd</sup> cause of action), and concert  
17 of action (63<sup>rd</sup> cause of action). *See generally* Complaint. Bifurcation is appropriate whether the  
18 Court applies Nevada law or North Carolina law.

19           The intent-of-the-parties approach is utilized to determine which claims a forum selection  
20 clause encompasses. *See Tuxedo Int’l, Inc. v. Rosenberg*, 251 P.3d 690 (Nev. 2011) (describing  
21 courts’ approaches to determining issue).<sup>6</sup> In *Tuxedo Int’l*, the Nevada Supreme Court explained  
22 that the initial step of the analysis includes determining whether the parties intended tort-based  
23 claims to be subject to a forum selection clause is a thorough textual review of the language of the  
24 subject form selection clause and the facts of the case. *See id.* at 697 (quoting *Berrett v. Life*  
25 *Insurance Co. of the Southwest*, 623 F. Supp. 946, 948-49 (D. Utah 1985) . If the issue cannot be  
26 resolved through a textual analysis, the next step is to determine whether resolution of the tort-based

27 <sup>6</sup> North Carolina law does not apply to determine choice of venue. The Agreement specifies North Carolina  
28 law only as to the “execution, interpretation or enforcement” of the Agreement. Procedural issues such as  
choice of venue are therefore beyond the limited scope of the choice of law provision.

1 claims relates to the interpretation of the contract. *See id.* at 699. If this still does not resolve the  
2 issue, then the Court must determine whether the tort-related claims directly concern the formation  
3 or enforcement of the contract containing the forum selection clause. *See id.* The plaintiff has the  
4 burden of demonstrating that the tort-based claims related to a contract are not subject to a forum  
5 selection clause. *See id.* In the event the Court determines that the forum selection clause is  
6 applicable to this action, the Receiver’s tort-based claims should be bifurcated and remain in this  
7 action because they are not subject to the forum selection clause. *See Awada v. Shuffle Master, Inc.*,  
8 173 P.3d 707, 712 (Nev. 2007) (decision whether to bifurcate rests in sound discretion of district  
9 court) (citations omitted).

10 The language of the forum selection clause demonstrates that the parties did not intend that  
11 the parties’ tort claims be subject to it. Specifically, the Agreement states that any action or  
12 proceeding “based on” the agreement shall occur in North Carolina. Unlike broader forum selection  
13 clause language such as “arising out of or relating to,” the language of the forum selection clause at  
14 issue here is much narrower in scope. *See e.g. Wade v. Ilisagvik Coll.*, No. A05-86 CV (JWS), 2005  
15 U.S. Dist. LEXIS 48172, at \*5-8 (D. Alaska Sep. 19, 2005) (finding that “arising under” clause is  
16 much narrower than “arising out of or relating to,” and as such, it did not encompass tort claims that  
17 did not “directly relate to the contract’s interpretation and performance”); *Prod. Res. Grp. v. Martin*  
18 *Profl*, 907 F. Supp. 2d 401, 412 (S.D. N.Y. 2012) (discussing broad versus narrow forum selection  
19 clauses).

20 Moreover, the Receiver’s tort claims are not solely “**based on**” the underlying agreement.  
21 Rather, the tort claims are based on, *inter alia*, Millennium’s failure to comply with “statutory” and  
22 “professional” standards:

- 23 • Millennium failed “to comply with applicable statutory and professional standards” (*see*  
24 Complaint, ¶ 423);
- 25 • Millennium knowingly and falsely represented that its services would be performed in  
26 accordance with applicable statutory and professional standards (*id.* at ¶¶ 427-28);
- 27 • Millennium failed to exercise reasonable care and competence in obtaining and  
28 communicating information to NHC (*id.* at ¶¶ 433-34);

- 1 • Millennium failed to perform its work to applicable “statutory” and “professional” standards  
2 (*id.* at ¶ 440); and
- 3 • Millennium acted in concert with other defendants “to falsify operating results and reserves,  
4 to conceal internal control weaknesses and other wrongdoing, and to avoid statutory  
5 supervision by their use of untruthful and/or unreliable financial data and other information  
6 they knew to be false and not in accordance with required statutory and professional  
7 standards in order to continue the flow of money to ... [various defendants] ... for their own  
8 personal gain” (*id.* at ¶¶ 755, 762).

9 In other words, it was not intended that the parties’ tort claims be subject to the forum  
10 selection clause, and they are not “based on” the agreement between NHC and Millennium. This is  
11 akin to the situation in the *Berrett* case, which found that the plaintiff’s tort-based claims did not  
12 arise “hereunder” the agreement. *See Berrett v. Life Insurance Co. of the Southwest*, 623 F. Supp. at  
13 947, 949. This ends the analysis under *Tuxedo Int’l*. Nonetheless, resolution of the Receiver’s tort-  
14 based claims does not relate to the “interpretation” of the contract. Instead, resolution of the claims  
15 relates to whether Millennium complied with its statutory and professional obligations. Likewise,  
16 the Receiver’s tort-based claims do not directly concern the formation or enforcement of the  
17 contract. Therefore, at minimum and because the Receiver’s claims are not inextricably combined  
18 with her contract-based claims, this Court must bifurcate and retain jurisdiction over the tort-based  
19 claims.

20 Additionally, the Receiver is enforcing independent claims for violations of Nevada law  
21 against Millennium, not merely attempting to enforce rights under the contract between the  
22 signatories. Where a third-party is not a party to a contract, the disputes that arise thereto are based  
23 in tort law, not contract law. *See e.g Lopez v. Corral*, Nos. 51541, 51972, 2010 Nev. LEXIS 69, at  
24 \*9 (Dec. 20, 2010). Even if the Court were to determine that all claims “arising under” the contract  
25 were subject to the clauses contained therein, Millennium’s motion could only partially be granted,  
26 as only three of the eleven claims against Millennium expressly reference and rely upon the  
27 Agreement, *i.e.*, the Receiver’s claims for breach of contract, tortious breach of implied covenant,  
28 and breach of implied covenant of good faith and fair dealing. *See Complaint*, ¶¶ 444-463.

1 **IV. CONCLUSION**

2 For the above reasons, the Receiver respectfully submits that the Court should deny  
3 Millennium's motion to dismiss in its entirety.

4 DATED this 18th day of December, 2017.

5 GREENBERG TRAURIG, LLP

6 /s/ Eric W. Swanis, Esq.

7 MARK E. FERRARIO, ESQ.

8 Nevada Bar No. 1625

9 ERIC W. SWANIS, ESQ.

10 Nevada Bar No. 6840

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13 3773 Howard Hughes Parkway, Suite 400 N

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15 *Counsel for Plaintiff*

**GREENBERG TRAURIG, LLP**  
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**CERTIFICATE OF SERVICE**

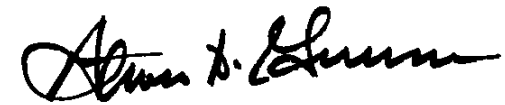
I hereby certify that on this 18th day of December, 2017, a true and correct copy of the foregoing **PLAINTIFF'S OPPOSITION TO DEFENDANT MILLENNIUM CONSULTING SERVICES, LLC'S MOTION TO DISMISS** was filed with the Clerk of the Court using the Odyssey eFileNV Electronic Service system and served on all parties with an email address on record, pursuant to Administrative Order 14-2 and Rule 9 of the N.E.F.C.R.

The date and time of the electronic proof of service is in place of the date and place of deposit in the U.S. Mail.

/s/ Shayna Noyce

An employee of Greenberg Traurig, LLP

# **EXHIBIT A**



CLERK OF THE COURT

**ORD**  
ADAM PAUL LAXALT  
Attorney General  
JOANNA N. GRIGORIEV  
Senior Deputy Attorney General  
Nevada Bar No. 5649  
555 E. Washington Avenue, Suite 3900  
Las Vegas, NV 89101  
P: (702) 486-3101  
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*Attorney for the Division of Insurance*

**IN THE EIGHTH JUDICIAL DISTRICT COURT OF THE STATE OF NEVADA**  
**CLARK COUNTY, NEVADA**

STATE OF NEVADA, EX REL.  
COMMISSIONER OF INSURANCE, IN HER  
OFFICIAL CAPACITY AS STATUTORY  
RECEIVER FOR DELINQUENT DOMESTIC  
INSURER,

Plaintiff,

vs.

NEVADA HEALTH CO-OP,

Defendant.

Case No. A-15-725244-C

Dept. No. 1

**PERMANENT INJUNCTION AND ORDER APPOINTING COMMISSIONER AS**  
**PERMANENT RECEIVER OF NEVADA HEALTH CO-OP**

A Petition For Appointment Of Commissioner as Receiver and Other Permanent Relief;  
Request for Injunction Pursuant to NRS 696B.270(1) by the Commissioner of Insurance, Amy  
L. Parks, in her official capacity as Temporary Receiver of NEVADA HEALTH CO-OP ("CO-  
OP") was filed with the consent of CO-OP's board of directors on September 25, 2015; a Non  
Opposition to Petition For Appointment Of Commissioner as Receiver and Other Permanent  
Relief and a waiver of the opportunity to appear at a show cause hearing was filed by CO-OP  
through its counsel on September 29, 2015; an Order Appointing the Acting Commissioner of

1 Insurance, Amy L. Parks, as Temporary Receiver Pending Further Orders of the Court,  
2 Granting Temporary Injunctive Relief Pursuant to NRS 696B.270, and authorizing the  
3 Temporary Receiver to appoint a special deputy receiver was filed on October 1, 2015; the  
4 Commissioner, as Temporary Receiver, appointed the firm of Cantilo & Bennett, L.L.P.  
5 ("C&B"), as Special Deputy Receiver ("SDR") of CO-OP on October 1, 2015 .

6 The Court having reviewed the points and authorities submitted by counsel and exhibits  
7 in support thereof, and for good cause,

8 IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

9 (1) Acting Commissioner of Insurance, Amy L. Parks, is hereby appointed  
10 Permanent Receiver ("Receiver"), and C&B is appointed Permanent SDR of CO-OP. The  
11 SDR shall have all the responsibilities, rights, powers, and authority of the Receiver subject to  
12 supervision and removal by the Receiver and the further Orders of this Court. The Receiver  
13 and the SDR are hereby directed to conserve and preserve the affairs of CO-OP and are  
14 vested, in addition to the powers set forth herein, with all the powers and authority expressed  
15 or implied under the provisions of chapter 696B of the Nevada Revised Statute ("NRS"), and  
16 any other applicable law. The Receiver and Special Deputy Receiver are hereby authorized  
17 to rehabilitate or liquidate CO-OP's business and affairs as and when they deem appropriate  
18 under the circumstances and for that purpose may do all acts necessary or appropriate for the  
19 conservation, rehabilitation, or liquidation of CO-OP. Whenever this Order refers to the  
20 Receiver, it will equally apply to the Special Deputy Receiver.

21 (2) Pursuant to NRS 696B.290, the Receiver is hereby vested with exclusive title  
22 both legal and equitable to all of CO-OP's property (referred to hereafter as the "Property")  
23 and consisting of all:

- 24 a. Assets, books, records, property, real and personal, including all property or  
25 ownership rights, choate or inchoate, whether legal or equitable of any kind  
26 or nature;  
27 b. Causes of action, defenses, and rights to participate in legal proceedings;  
28



- 1 c. Letters of credit, contingent rights, stocks, bonds, cash, cash equivalents,  
2 contract rights, reinsurance contracts and reinsurance recoverables, in force  
3 insurance contracts and business, deeds, mortgages, leases, book entry  
4 deposits, bank deposits, certificates of deposit, evidences of indebtedness,  
5 bank accounts, securities of any kind or nature, both tangible and intangible,  
6 including but without being limited to any special, statutory or other deposits  
7 or accounts made by or for CO-OP with any officer or agency of any state  
8 government or the federal government or with any banks, savings and loan  
9 associations, or other depositories;
- 10 d. All of such rights and property of CO-OP described herein now known or  
11 which may be discovered hereafter, wherever the same may be located and  
12 in whatever name or capacity they may be held.

13 (3) The Receiver is hereby directed to take immediate and exclusive possession  
14 and control of the Property except as she may deem in the best interest of the Receivership  
15 Estate. In addition to vesting title to all of the Property in the Receiver or her successors, the  
16 said Property is hereby placed in the *custodia legis* of this Court and the Receiver, and the  
17 Court hereby assumes and exercises sole and exclusive jurisdiction over all the Property and  
18 any claims or rights respecting the Property to the exclusion of any other court or tribunal,  
19 such exercise of sole and exclusive jurisdiction being hereby found to be essential to the  
20 safety of the public and of the claimants against CO-OP.

21 (4) The Receiver is authorized to employ and to fix the compensation of such  
22 deputies, counsel, employees, accountants, actuaries, investment counselors, asset  
23 managers, consultants, assistants and other personnel as she considers necessary. Any  
24 Special Deputy Receiver appointed by the Receiver pursuant to this Order shall exercise all of  
25 the authority of the Receiver pursuant hereto subject only to oversight by the Receiver and the  
26 Court. All compensation and expenses of such persons and of taking possession of CO-OP  
27 and conducting this proceeding shall be paid out of the funds and assets of CO-OP in  
28 accordance with NRS 696B.290.

1 (5) All persons, corporations, partnerships, associations and all other entities  
2 wherever located, are hereby enjoined and restrained from interfering in any manner with the  
3 Receiver's possession of the Property or her title to or right therein and from interfering in any  
4 manner with the conduct of the receivership of CO-OP. Said persons, corporations,  
5 partnerships, associations and all other entities are hereby enjoined and restrained from  
6 wasting, transferring, selling, disbursing, disposing of, or assigning the Property and from  
7 attempting to do so except as provided herein.

8 (6) All providers of health care services, including but not limited to physicians  
9 hospitals, other licensed medical practitioners, patient care facilities, diagnostic and  
10 therapeutic facilities, pharmaceutical companies or managers, and any other entity which has  
11 provided or agreed to provide health care services to members or enrollees of CO-OP, directly  
12 or indirectly, pursuant to any contract, agreement or arrangement to do so directly with CO-  
13 OP or with any other organization that had entered into a contract, agreement, or arrangement  
14 for that purpose with CO-OP are hereby permanently enjoined and restrained from:

- 15 a. Seeking payment from any such member or enrollee for amount owed by  
16 CO-OP;
- 17 b. Interrupting or discontinuing the delivery of health care services to such  
18 members or enrollees during the period for which they have paid (or because  
19 of a grace period have the right to pay) the required premium to CO-OP  
20 except as authorized by the Receiver or as expressly provided in any such  
21 contract or agreement with CO-OP that does not violate applicable law;
- 22 c. Seeking additional or unauthorized payment from such CO-OP members or  
23 enrollees for health care services required to be provided by such  
24 agreements, arrangements, or contracts beyond the payments authorized by  
25 the agreements, arrangements, or contracts to be collected from such  
26 members or enrollees; and

1 d. Interfering in any manner with the efforts of the Receiver to assure that CO-  
2 OP's members and enrollees in good standing receive the health care  
3 services to which they are contractually entitled.

4 (7) All landlords, vendors and parties to executory contracts with CO-OP are hereby  
5 enjoined and restrained from discontinuing services to, or disturbing the possession of  
6 premises and leaseholds, including of equipment and other personal property, by CO-OP or  
7 the Receiver on account of amounts owed prior to October 1, 2015, or as a result of the  
8 institution of this proceeding and the causes therefor, provided that CO-OP or the Receiver  
9 pays within a reasonable time for premises, goods, or services delivered or provided by such  
10 persons on and after October 1, 2015, at the request of the Receiver and provided further that  
11 all such persons shall have claims against the estate of CO-OP for all amounts owed by CO-  
12 OP prior to October 1, 2015.

13 (8) All claims against CO-OP its assets or the Property must be submitted to the  
14 Receiver as specified herein to the exclusion of any other method of submitting or adjudicating  
15 such claims in any forum, court, or tribunal subject to the further Order of this Court. The  
16 Receiver is hereby authorized to establish a Receivership Claims and Appeal Procedure, for  
17 all receivership claims. The Receivership Claims and Appeal Procedures shall be used to  
18 facilitate the orderly disposition or resolution of claims or controversies involving the  
19 receivership or the receivership estate.

20 (9) The Receiver may change to her own name the name of any of CO-OP'  
21 accounts, funds or other property or assets, held with any bank, savings and loan association,  
22 other financial institution, or any other person, wherever located, and may withdraw such  
23 funds, accounts and other assets from such institutions or take any lesser action necessary  
24 for the proper conduct of the receivership.

25 (10) All secured creditors or parties, pledge holders, lien holders, collateral holders or  
26 other persons claiming secured, priority or preferred interest in any property or assets of CO-  
27 OP, including any governmental entity, are hereby enjoined from taking any steps whatsoever  
28

1 to transfer, sell, encumber, attach, dispose of or exercise purported rights in or against the  
2 Property.

3 (11) The officers, directors, trustees, partners, affiliates, brokers, agents, creditors,  
4 insureds, employees, members, and enrollees of CO-OP, and all other persons or entities of  
5 any nature including, but not limited to, claimants, plaintiffs, petitioners, and any governmental  
6 agencies who have claims of any nature against CO-OP, including cross-claims,  
7 counterclaims and third party claims, are hereby permanently enjoined and restrained from  
8 doing or attempting to do any of the following, except in accordance with the express  
9 instructions of the Receiver or by Order of this Court:

- 10 a. Conducting any portion or phase of the business of CO-OP;
  - 11 b. Commencing, bringing, maintaining or further prosecuting any action at law,  
12 suit in equity, arbitration, or special or other proceeding against CO-OP or its  
13 estate, or the Receiver and her successors in office, or any person appointed  
14 pursuant to Paragraph (4) hereinabove;
  - 15 c. Making or executing any levy upon, selling, hypothecating, mortgaging,  
16 wasting, conveying, dissipating, or asserting control or dominion over the  
17 Property or the estate of CO-OP;
  - 18 d. Seeking or obtaining any preferences, judgments, foreclosures, attachments,  
19 levies, or liens of any kind against the Property;
  - 20 e. Interfering in any way with these proceedings or with the Receiver, any  
21 successor in office, or any person appointed pursuant to Paragraph (4)  
22 hereinabove in their acquisition of possession of, the exercise of dominion or  
23 control over, or their title to the Property, or in the discharge of their duties as  
24 Receiver thereof; or
  - 25 f. Commencing, maintaining or further prosecuting any direct or indirect  
26 actions, arbitrations, or other proceedings against any insurer of CO-OP for  
27 proceeds of any policy issued to CO-OP.
- 28

1 (12) However, notwithstanding any other provision of this Order, the commencement  
2 of conservatorship, receivership, or liquidation proceedings against CO-OP in another state by  
3 an official lawfully authorized by such state to commence such proceeding shall not constitute  
4 a violation of this Order.

5 (13) No bank, savings and loan association or other financial institution shall, without  
6 first obtaining permission of the Receiver, exercise any form of set-off, alleged set-off, lien, or  
7 other form of self-help whatsoever or refuse to transfer the Property to the Receiver's control.

8 (14) The Receiver shall have the power and is hereby authorized to:

- 9 a. Collect all debts and monies due and claims belonging to CO-OP, wherever  
10 located, and for this purpose: (i) to institute and maintain actions in other  
11 jurisdictions, in order to forestall garnishment and attachment proceedings  
12 against such debts; (ii) to do such other acts as are necessary or expedient  
13 to marshal, collect, conserve or protect its assets or property, including the  
14 power to sell, compound, compromise or assign debts for purposes of  
15 collection upon such terms and conditions as she deems appropriate, and  
16 the power to initiate and maintain actions at law or equity or any other type of  
17 action or proceeding of any nature, in this and other jurisdictions; (iii) to  
18 pursue any creditor's remedies available to enforce her claims;
- 19 b. Conduct public and private sales of the assets and property of CO-OP,  
20 including any real property;
- 21 c. Acquire, invest, deposit, hypothecate, encumber, lease, improve, sell,  
22 transfer, abandon, or otherwise dispose of or deal with any asset or property  
23 of CO-OP, and to sell, reinvest, trade or otherwise dispose of any securities  
24 or bonds presently held by, or belonging to, CO-OP upon such terms and  
25 conditions as she deems to be fair and reasonable, irrespective of the value  
26 at which such property was last carried on the books of CO-OP. She shall  
27 also have the power to execute, acknowledge and deliver any and all deeds,  
28 assignments, releases and other instruments necessary or proper to

1 effectuate any sale of property or other transaction in connection with the  
2 receivership;

- 3 d. Borrow money on the security of CO-OP' assets, with or without security, and  
4 to execute and deliver all documents necessary to that transaction for the  
5 purpose of facilitating the receivership;
- 6 e. Enter into such contracts as are necessary to carry out this Order, and to  
7 affirm or disavow as more fully provided in subparagraph p., below, any  
8 contracts to which CO-OP is a party;
- 9 f. Designate, from time to time, individuals to act as her representatives with  
10 respect to affairs of CO-OP for all purposes, including, but not limited to,  
11 signing checks and other documents required to effectuate the performance  
12 of the powers of the Receiver.
- 13 g. Establish employment policies for CO-OP employees, including retention,  
14 severance and termination policies as she deems necessary to effectuate the  
15 provisions of this Order;
- 16 h. Institute and to prosecute, in the name of CO-OP or in her own name, any  
17 and all suits and other legal proceedings, to defend suits in which CO-OP or  
18 the Receiver is a party in this state or elsewhere, whether or not such suits  
19 are pending as of the date of this Order, to abandon the prosecution or  
20 defense of such suits, legal proceedings and claims which she deems  
21 inappropriate, to pursue further and to compromise suits, legal proceedings  
22 or claims on such terms and conditions as she deems appropriate;
- 23 i. Prosecute any action which may exist on behalf of the members, enrollees,  
24 insureds or creditors, of CO-OP against any officer or director of CO-OP, or  
25 any other person;
- 26 j. Remove any or all records and other property of CO-OP to the offices of the  
27 Receiver or to such other place as may be convenient for the purposes of the  
28 efficient and orderly execution of the receivership; and to dispose of or

1 destroy, in the usual and ordinary course, such of those records and property  
2 as the Receiver may deem or determine to be unnecessary for the  
3 receivership;

4 k. File any necessary documents for recording in the office of any recorder of  
5 deeds or record office in this County or wherever the Property of CO-OP is  
6 located;

7 l. Intervene in any proceeding wherever instituted that might lead to the  
8 appointment of a conservator, receiver or trustee of CO-OP or its  
9 subsidiaries, and to act as the receiver or trustee whenever the appointment  
10 is offered;

11 m. Enter into agreements with any ancillary receiver of any other state as she  
12 may deem to be necessary or appropriate;

13 n. Perform such further and additional acts as she may deem necessary or  
14 appropriate for the accomplishment of or in aid of the purpose of the  
15 receivership, it being the intention of this Order that the aforestated  
16 enumeration of powers shall not be construed as a limitation upon the  
17 Receiver;

18 o. Terminate and disavow the authority previously granted CO-OP' agents,  
19 brokers, or marketing representatives to represent CO-OP in any respect,  
20 including the underlying agreements, and any continuing payment obligations  
21 created therein, as of the receivership date, with reasonable notice to be  
22 provided and agent compensation accrued prior to any such termination or  
23 disavowal to be deemed a general creditor expense of the receivership; and

24 p. Affirm, reject, or disavow part or all of any leases or executory contracts to  
25 which CO-OP is a party. The Receiver is authorized to reject, or disavow  
26 any leases or executory contracts at such times as she deems appropriate  
27 under the circumstances, provided that payment due for any goods or  
28 services received after appointment of the Receiver, with her consent, will be



1 deemed to be an administrative expense of the receivership, and provided  
2 further that other unsecured amounts properly due under the disavowed  
3 contract, and unpaid solely because of such disavowal, will give rise to a  
4 general unsecured creditor claim in the Receivership proceeding.

5 (15) CO-OP, its officers, directors, partners, agents, brokers and employees, any  
6 person acting in concert with them, and all other persons, having any property or records  
7 belonging to CO-OP, including data processing information and records of any kind such as,  
8 by way of example only, source documents and electronically stored information, are hereby  
9 ordered and directed to surrender custody and to assign, transfer and deliver to the Receiver  
10 all of such property in whatever name the same may be held, and any persons, firms or  
11 corporations having any books, papers or records relating to the business of CO-OP shall  
12 preserve the same and submit these to the Receiver for examination at all reasonable times.  
13 Any property, books, or records asserted to be simultaneously the property of CO-OP and  
14 other parties, or alleged to be necessary to the conduct of the business of other parties though  
15 belonging in part or entirely to CO-OP, shall nonetheless be delivered immediately to the  
16 Receiver who shall make reasonable arrangements for copies or access for such other parties  
17 without compromising the interests of the Receiver or CO-OP.

18 (16) Nothing in this Order may be construed as to prevent the Nevada Life and  
19 Health Insurance Guaranty Association and the Nevada Insurance Guaranty Association from  
20 exercising their respective powers under Title 57 of the NRS.

21 (17) In addition to that provided by statute or by CO-OP's policies or contracts of  
22 insurance, and to the extent not in conflict with the other provisions of this Paragraph (17), the  
23 Receiver may, at such time she deems appropriate, without prior notice, subject to the  
24 following provisions, impose such full or partial moratoria or suspension upon disbursements  
25 owed by CO-OP, provided that

- 26 a. Any such suspension or moratorium shall apply in the same manner or to the  
27 same extent to all persons similarly situated. However, the Receiver may, in  
28



- 1 her sole discretion, impose the same upon only certain types, but not all, of  
2 the payments due under any particular type of contract; and
- 3 b. Notwithstanding any other provision of this Order, the Receiver may  
4 implement a procedure for the exemption from any such moratorium or  
5 suspension, those hardship claims, as she may define them, that she, in her  
6 sole discretion, deems proper under the circumstances.
- 7 c. The Receiver shall only impose such moratorium or suspension when the  
8 same is not specifically provided for by contract or statute:
- 9 i. As part, or in anticipation, of a plan for the partial or complete  
10 rehabilitation of CO-OP;
- 11 ii. When necessary to assure the delivery of health care services to  
12 covered persons pending the replacement of underlying coverage; or
- 13 iii. When necessary to determine whether partial or complete  
14 rehabilitation is reasonably feasible.
- 15 d. Under no circumstances shall the Receiver be liable to any person or entity  
16 for her good faith decision to impose, or to refrain from imposing, such  
17 moratorium or suspension.
- 18 e. Notice of such moratorium or suspension, which may be by publication, shall  
19 be provided to the holders of all policies or contracts affected thereby.

20 (18) It is hereby ordered that all evidences of coverage, insurance policies and  
21 contracts of insurance of CO-OP are hereby terminated effective on December 31, 2015,  
22 unless the Receiver determines that any such contracts should be cancelled as of an earlier  
23 date.

24 (19) No judgment, order, attachment, garnishment sale, assignment, transfer,  
25 hypothecation, lien, security interest or other legal process of any kind with respect to or  
26 affecting CO-OP or the Property shall be effective or enforceable or form the basis for a claim  
27 against CO-OP or the Property unless entered by the Court, or unless the Court has issued its  
28 specific order, upon good cause shown and after due notice and hearing, permitting same.

1 (20) All costs, expenses, fees or any other charges of the Receivership, including but  
2 not limited to fees and expenses of accountants, peace officers, actuaries, investment  
3 counselors, asset managers, attorneys, special deputies, and other assistants employed by  
4 the Receiver, the giving of the Notice required herein, and other expenses incurred in  
5 connection herewith shall be paid from the assets of CO-OP. Provided, further, that the  
6 Receiver may, in her sole discretion, require third parties, if any, who propose rehabilitation  
7 plans with respect to CO-OP to reimburse the estate of CO-OP for the expenses, consulting  
8 or attorney's fees and other costs of evaluating and/or implementing any such plan.

9 (21) The Commissioner is part of the government of the State of Nevada, acting in  
10 her official capacity, and as such, should be exempt from any bond requirements that might  
11 otherwise be required when seeking the relief sought in this proceeding. Accordingly, it is  
12 Ordered that no bond shall be required from the Commissioner as Receiver.

13 (22) If any provision of this Order or the application thereof is for any reason held to  
14 be invalid, the remainder of this Order and the application thereof to other persons or  
15 circumstances shall not be affected thereby.

16 (23) The Receiver may at any time make further application for such further and  
17 different relief as she sees fit.

18 (24) The Court shall retain jurisdiction for all purposes necessary to effectuate and  
19 enforce this Order.

20 (25) The Receiver is authorized to deliver to any person or entity a copy or certified  
21 copy of this Order, or of any subsequent order of the Court, such copy, when so delivered,  
22 being deemed sufficient notice to such person or entity of the terms of such Order. But nothing  
23 herein shall relieve from liability, nor exempt from punishment by contempt, any person or  
24 entity that, having actual notice of the terms of any such Order, shall be found to have violated  
25 the same.

(26) Notice of any filings in this proceeding shall additionally be provided by electronic delivery to the email addresses provided by the Special Deputy Receiver and counsel for the Receiver.

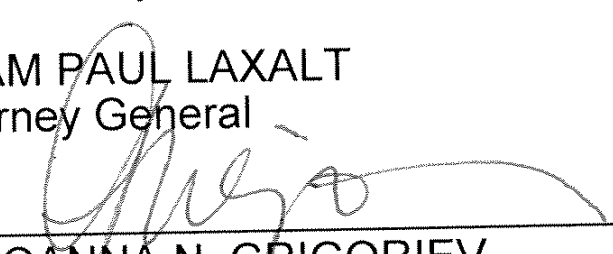
**IT IS SO ORDERED**

DATED this 14 day of October, 2015.

  
DISTRICT COURT JUDGE

Respectfully submitted by:

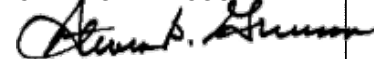
ADAM PAUL LAXALT  
Attorney General

By:   
JOANNA N. GRIGORIEV  
Senior Deputy Attorney General  
*Attorneys for the Division of Insurance*

NOTICE TO BE PROVIDED TO:

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Special Deputy Receiver  
Nevada Health CO-OP  
3900 Meadows Lane  
Las Vegas, NV 89107

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*Attorneys for Defendants Milliman, Inc.,  
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EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

STATE OF NEVADA, EX REL.  
COMMISSIONER OF INSURANCE,  
BARBARA D. RICHARDSON, IN HER  
OFFICIAL CAPACITY AS RECEIVER FOR  
NEVADA HEALTH CO-OP,

Plaintiff,

vs.

MILLIMAN, INC., a Washington Corporation;  
JONATHAN L. SHREVE, an Individual; MARY  
VAN DER HEIJDE, an Individual;  
MILLENNIUM CONSULTING SERVICES,  
LLC, a North Carolina Corporation; LARSON &  
COMPANY P.C., a Utah Professional  
Corporation; DENNIS T. LARSON, an  
Individual; MARTHA HAYES, an Individual;  
INSUREMONKEY, INC., a Nevada Corporation;  
ALEX RIVLIN, an Individual; NEVADA  
HEALTH SOLUTIONS, LLC, a Nevada Limited  
Liability Company; PAMELA EGAN, an  
Individual; BASIL C. DIBSIE, an Individual;

Case No. A-17-760558-B

Dept. No. XXV

**MILLIMAN'S REPLY IN SUPPORT OF  
MOTION TO COMPEL ARBITRATION**

Snell & Wilmer

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LINDA MATTOON, an Individual; TOM  
ZUMTOBEL, an Individual; BOBBETTE  
BOND, an Individual; KATHLEEN SILVER, an  
Individual; DOES I through X, inclusive; and  
ROE CORPORATIONS I-X, inclusive,  
Defendants.

## I. INTRODUCTION<sup>1</sup>

Plaintiff does not, and cannot, refute the determinative arguments and controlling precedent that require arbitration of Plaintiff's claims against Milliman.

**First**, Plaintiff cannot simultaneously sue for damages based on Milliman's work done pursuant to the Agreement yet evade the Agreement's arbitration clause, as the Nevada Supreme Court has held. *Ahlers v. Ryland Homes Nevada, LLC*, 126 Nev. 688, 367 P.3d 743 (2010) (unpublished). While Plaintiff asserts that an insurance liquidator is exempt from this bedrock principle because it is a "non-signatory" to the insolvent insurer's contracts, courts around the country uniformly compel arbitration against "non-signatory" liquidators who, like Plaintiff here, sue to enforce an insolvent insurer's contract that includes an arbitration clause. Plaintiff cites *no* contrary precedent.

Nor can Plaintiff evade the Agreement's arbitration provision by asserting that she is acting on behalf of NHC's "creditors and policyholders." All of Plaintiff's causes of action against Milliman are pre-insolvency, common law claims that ***belonged solely to NHC***. Plaintiff has not pled facts or viable causes of action against Milliman that belong to any creditor or policyholder. It is well-established, including by the authority cited in Plaintiff's Opposition, that straightforward common law claims on behalf of an insolvent insurer, which do not arise out of the liquidation statute or otherwise belong to the liquidator herself, are not "creditor or policyholder" claims, and can be arbitrated.

**Second**, Plaintiff does not dispute that she has no basis to "revoke" the Agreement, and therefore the arbitration clause is "valid, irrevocable and enforceable" under both the Federal

<sup>1</sup> Capitalized terms not defined herein shall have the meaning ascribed to them in Milliman's Memorandum of Points and Authorities in support of its Motion to Compel Arbitration.

1 Arbitration Act (“FAA”) and Nevada Arbitration Act (“NAA”). Plaintiff instead contends that  
2 these statutes “interfere” with the Nevada liquidation act, and are therefore “reverse preempted”  
3 under the McCarren-Ferguson Act or otherwise superseded—an argument that the U.S. Courts of  
4 Appeal for the Ninth, Third, and Sixth Circuits, among several other courts, have expressly  
5 rejected. This on-point precedent holds that the standard for reverse preemption is not met where,  
6 as here, a liquidator brings straightforward common law claims on behalf of an insolvent insurer,  
7 because such claims do not interfere either with the State’s regulation of insurance, or with a state  
8 court’s liquidation proceedings. Again, Plaintiff cites no on-point caselaw to the contrary. Nor  
9 does Plaintiff offer any evidence that arbitrating her claims would “interfere” with the orderly  
10 liquidation of NHC.

11 *Finally*, Plaintiff is well aware that the Receivership Order does not confer “exclusive  
12 jurisdiction” over any and all claims Plaintiff brings on NHC’s behalf. In fact, Plaintiff has taken  
13 full advantage of the provisions in the Order that authorize Plaintiff to, *inter alia*, “initiate and  
14 maintain actions at law or equity ***or any other type of action or proceeding of any nature***, in this  
15 ***and other jurisdictions***,” (Order, § 14(a) (emphases added)), and has sued the U.S. Department of  
16 Health & Human Services (“HHS”) in federal court in Nevada. Just as the Receivership Order  
17 could not supersede either federal law or the contractual forum selection clause in the NHC-HHS  
18 agreement that required Plaintiff to bring her case in federal court—if it could, no doubt Plaintiff  
19 would have filed its suit in state court—the Order cannot vitiate an otherwise valid contractual  
20 arbitration provision that both federal and Nevada law uniformly hold should be enforced.

21 For all of the reasons discussed below and in Milliman’s opening brief, Milliman’s motion  
22 to compel arbitration should be granted.

## 23 II. ANALYSIS

### 24 A. The Arbitration Clause Binds Plaintiff and Encompasses All of Plaintiff’s Claims 25 Against Milliman

#### 26 1. **Because Plaintiff is Suing to Enforce the Agreement, Plaintiff Must Abide by** 27 **the Agreement’s Arbitration Provision**

28 Plaintiff cites no authority to contravene the well-established rule, affirmed by the Nevada  
Supreme Court in *Ahlers*, 126 Nev. 688, 367 P.3d 743, at \*2, that a party cannot sue to enforce an

1 agreement and “simultaneously avoid other portions of the agreement, such as the arbitration  
2 provision.”

3 Plaintiff attempts to evade this rule by contending that “equitable estoppel” does not apply  
4 to a “non-signatory.” (Opposition, p. 16). Yet federal and state courts around the country have  
5 held that where, as here, a statutory insurance liquidator’s or receiver’s claims arise from and  
6 relate to an insolvent insurer’s contract with the defendant, the liquidator cannot avoid that  
7 contract’s arbitration provision, even though it did not sign the agreement. As the Ninth Circuit  
8 stated in *Bennett v. Liberty Nat. Fire Ins. Co.*, “if the liquidator wants to enforce [the insurer’s]  
9 rights under its contract, she must also assume its perceived liabilities.” 968 F.2d 969, 972 n.4  
10 (9th Cir. 1992) (enforcing arbitration clause against insurance liquidator seeking to enforce  
11 insolvent insurer’s contractual rights).<sup>2</sup> Likewise, in *Poizner v. Nat. Indem. Co.*, the Court  
12 granted a motion to compel arbitration, holding that:

13 As the liquidator of FPIC, the Commissioner ultimately seeks to  
14 enforce contractual provisions requiring the payment of reinsurance  
15 proceeds, yet on the other hand, he seeks to avoid enforcement of  
16 arbitration provisions contained in the same contracts. This  
17 inconsistent approach has been rejected by the Ninth Circuit, as  
well as other circuit courts. If a liquidator seeks to enforce an  
insolvent company’s rights under a contract, he must also suffer  
that company’s contractual liabilities.

18 No. 08CV772-MMA, 2009 WL 10671673, at \*2 (S.D. Cal. Jan. 6, 2009); *see also Garamendi v.*  
19 *Caldwell*, No. CV-91-5912-RSWL(EEX), 1992 WL 203827, at \*3 (C.D. Cal. May 4, 1992)  
20 (enforcing arbitration clause against insurance liquidator); *Koken v. Cologne Reins. (Barbados),*  
21 *Ltd.*, 34 F. Supp. 2d 240 (M.D. Pa. 1999) (same); *Costle v. Fremont Indem. Co.*, 839 F. Supp.  
22 265, 272–75 (D. Vt. 1993) (same); *Rich v. Cantilo & Bennett, L.L.P.*, 492 S.W.3d 755, 762 (Tex.  
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24  
25 <sup>2</sup> Plaintiff tries to distinguish *Bennett* by arguing that “the liquidator in that case ‘presented no  
26 evidence that enforcing the arbitration clauses here will disrupt the orderly liquidation of the  
27 insolvent insurer.’” (Opposition, p. 15 n.7). Yet Plaintiff has similarly presented no such  
28 evidence here. While Plaintiff asserts—without any support—that arbitrating against Milliman  
will “be an unnecessary drain on the NHC estate,” (*id.*), that position ignores the Nevada  
Supreme Court’s express recognition that “arbitration generally avoids the higher costs and  
longer time periods associated with traditional litigation.” *D.R. Horton, Inc. v. Green*, 120 Nev.  
549, 553, 96 P.3d 1159, 1162 (2004).

1 Ct. App. 2016) (same); *State v. O'Dom*, No. 2015CV258501, 2015 WL 10384362, at \*3–4 (Ga.  
2 Super. Sept. 18, 2015) (same).<sup>3</sup>

3 The cases Plaintiff cites to support her “non-signatory” argument *affirm* that a receiver  
4 suing to enforce a contract must abide by that contract’s arbitration clause. In *Javitch v. First*  
5 *Union Sec., Inc.*, 315 F.3d 619 (6th Cir. 2003) (cited at Opposition, p. 16), the receiver brought  
6 tort and statutory claims on behalf of two insolvent businesses, and the defendants moved to  
7 compel arbitration. The Sixth Circuit *reversed* the District Court’s denial, and held that the  
8 receiver, although not itself a signatory to any agreement with an arbitration clause, “*is bound to*  
9 *the arbitration agreements to the same extent that the receivership entities would have been*  
10 *absent the appointment of the receiver.*” *Id.* at 627 (emphasis added). On remand, the District  
11 Court granted the motion to compel arbitration, holding:

12 As the Receiver acknowledges, his claims in this suit all arise from  
13 the relationship between Capwill and Defendants. That relationship  
14 was created and governed by brokerage agreements subject to  
15 arbitration provisions. The Receiver cannot both seek to benefit in  
16 this suit from the relationships created by those agreements, while  
17 disavowing the arbitration provisions.

18 *Javitch v. First Union Sec.*, No. 3:01 CV 780, 2011 WL 665727, at \*4 (N.D. Ohio Feb. 15, 2011)  
19 (citation removed). The same logic applies foursquare here. Having sought to enforce NHC’s  
20 rights and obligations relating to the Agreement, Plaintiff must abide by the Agreement’s  
21 arbitration clause. By contrast, in *Taylor v. Ernst & Young, LLP*, 958 N.E.2d 1203, 1213 (Ohio  
22 2011), another “nonsignatory” case on which Plaintiff heavily relies, the court held that the  
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26 <sup>3</sup> The Louisiana trial court’s denial of Milliman’s motion to compel arbitration, which Milliman  
27 has appealed, does not vitiate the well-settled rule that a party cannot simultaneously seek to  
28 enforce an agreement and evade that agreement’s arbitration clause. The Louisiana court’s  
decision erroneously failed to address whether the Rehabilitator’s claims arose out of or related to  
the contract at issue. Milliman has applied for an immediate interlocutory appeal of the Louisiana  
trial court’s erroneous order.



1 liquidator was not bound by a contractual arbitration clause where its claims did not arise from or  
2 relate to the contract at issue.<sup>4</sup>

3 **2. All of Plaintiff's Claims Against Milliman Are Arbitrable**

4 Plaintiff knows full well, given the law cited above, that she cannot both sue to enforce  
5 the Agreement and evade its arbitration clause. Thus she tries to argue that because “many” of  
6 her claims—she does not specify which ones—either “do not arise out of the contract,” or “are  
7 not brought on behalf of NHC, but instead on behalf of its creditors or policyholders,” therefore  
8 “only a narrow subset of claims could be arbitrated,” resulting in a waste of resources.  
9 (Opposition, p. 3; *see also id.*, p. 15 n.7). Both contentions are wrong.

10 a. All of Plaintiff's Claims Arise from and Relate to the Agreement

11 It is indisputable that Plaintiff's claims arise from and relate to the Agreement since, but  
12 for the Agreement and the work Milliman did under it, Plaintiff would have no claims  
13 whatsoever. Plaintiff's Complaint identifies the contracted-for work that Milliman performed,  
14 including “providing certification required pursuant to NRS 681B, conducting a feasibility study,  
15 providing business plan support, assisting NHC in setting premium rates, [and] participating in  
16 the preparation of financial reports and information to regulators.” (Compl., ¶ 334). Every cause  
17 of action Plaintiff brings is based on Milliman's alleged failure to perform at least one of these  
18 services adequately. (*See, e.g.,* Compl., ¶¶ 333–36 (malpractice cause of action based on  
19 allegation that “Milliman Defendants were engaged by NHC and its predecessors to provide  
20 actuarial services to NHC” and failed to provide those services adequately); *id.*, ¶ 323 (negligence  
21 per se claim based on Milliman's alleged failure to provide certification required pursuant to NRS  
22 681B); ¶¶ 340–44 (fraud claim based on alleged false statements in feasibility study); ¶¶ 356,  
23 395–98 (negligence claims based on alleged failure to exercise reasonable care in preparing  
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25 <sup>4</sup> Similarly, in *Truck Ins. Exch. v. Palmer J. Swanson, Inc.*, 124 Nev. 629, 638, 189 P.3d 656, 661  
26 (2008), and *Thompson-CSF, S.A. v. Am. Arbitration Ass'n*, 64 F.3d 773, 780 (2d Cir. 1995) (cited  
27 at Opposition, p. 16), the courts determined that the non-signatory plaintiffs were “*not* attempting  
28 to assert any rights under the written agreement to arbitrate” and did *not* bring claims “arising out  
of” the agreement. Therefore the plaintiffs were not bound by the contractual arbitration clauses  
at issue. *Id.* (emphasis added). These rulings thus were not dependent on the non-signatory's  
status, but rather on the arbitrability of the issues in dispute.

1 feasibility study, and in calculating premiums, financial projections and reserves); ¶ 402 (unjust  
2 enrichment claim seeks to recoup fees NHC paid to Milliman for actuarial services required by  
3 Agreement); ¶¶ 407–13, 755, 762 (civil conspiracy and concert of action claims based on  
4 preparation of allegedly false financial information)).

5 The fact that certain of Plaintiff’s causes of action sound in tort, rather than contract, is  
6 irrelevant. Courts in Nevada routinely compel parties to arbitrate tort, contract and statutory  
7 claims together where those causes of action relate to the same contractual relationship, as  
8 Plaintiff’s claims do. *See Phillips v. Parker*, 106 Nev. 415, 417, 794 P.2d 716, 718 (1990)  
9 (compelling arbitration of tort and RICO claims that “relate to” agreement containing arbitration  
10 provision where plaintiff’s “basis for claiming injury and grounds for redress stem from rights he  
11 allegedly received pursuant to the agreement”); *Helfstein v. UI Supplies*, 127 Nev. 1140, 373 P.3d  
12 921, at \*2 (2011) (unpublished) (granting motion to compel arbitration of tort and contract claims  
13 and stating that “if the allegations underlying the claims so much as touch matters covered by the  
14 parties’ agreements, then those claims must be arbitrated” (citation omitted)); *Rodriguez v. AT&T*  
15 *Servs., Inc.*, No. 2:14-cv-01537, 2015 WL 6163428, at \*8 (D. Nev. Oct. 20, 2015) (“[S]o long as  
16 the phone call that allegedly triggered the offending credit inquiry collaterally touches upon the  
17 Business Agreement or has some roots in the contractual relationship between the parties,  
18 Plaintiff’s claims fall within the scope of the arbitration provision.”)

19 a. Plaintiff’s Claims Against Milliman Are Pre-Solvency Damages Claims that  
20 Belonged Solely to NHC, Therefore Plaintiff Stands in NHC’s Shoes and Must  
21 Abide by NHC’s Contractual Obligations

22 Plaintiff’s contention that she is acting “on behalf of” NHC’s creditors and policyholders,  
23 and therefore she does not “step in [NHC] shoes,” (Opposition, pp. 14-15), does not overcome  
24 the arbitration clause. Where, as here, a liquidator assumes an insurer’s contracts, and then  
25 asserts common law claims that belonged to the insolvent insurer by virtue of its pre-insolvency  
26 contractual relationships, those claims are arbitrable. As the Court stated in *Bennett*, if a “dispute  
27 is in essence a contractual one, it should be arbitrated. And because the liquidator, who stands in  
28 the shoes of the insolvent insurer, is attempting to enforce [the insurer’s] contractual rights, she is  
bound by [the insurer’s] pre-insolvency agreements.” 968 F.2d at 972. *See also Hays & Co. v.*

1 *Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 885 F.2d 1149, 1154 (3d Cir. 1989) (holding that  
2 bankruptcy trustee's claims against debtor's securities broker for state and federal securities  
3 violations were arbitrable because they were based on debtor's pre-bankruptcy rights, and did not  
4 arise from the Bankruptcy Code) (cited at Opposition, p. 19); *Dardar v. Ins. Guar. Ass'n*, 556 So.  
5 2d 272, 274 (La. Ct. App. 1990) ("[B]ecause the rehabilitator, in effect, steps into the shoes of the  
6 insurer, he is bound by the same constraints as is the insurer in the normal course of  
7 business.") (cited at Opposition, p. 10).

8 The cases on which Plaintiff relies are not to the contrary.<sup>5</sup> In both *Hays & Co. v. Merrill*  
9 *Lynch*, 885 F.2d at 1155, and *Jaime Torres Int'l Sports Mgmt., Inc. v. Kapila*, 2016 WL 8585339,  
10 at \*6 (S.D. Fla. May 11, 2016), the trustee was not required to arbitrate causes of action that, as a  
11 matter of law, **belonged** to the creditors of the insolvent debtors. Here, Plaintiff has not pled any  
12 viable causes of action that belong to NHC's "creditors and policyholders."<sup>6</sup> Rather, Plaintiff's  
13 claims against Milliman **belonged** solely to NHC and accrued to NHC pre-insolvency. Plaintiff  
14 thus stands directly in NHC's shoes, and must abide by all of NHC's contractual obligations.

15 In *Covington v. Am. Chambers Life Ins. Co.*, 779 N.E.2d 833 (Ohio Ct. App. 2002), on  
16 which Plaintiff relies, the court focused on the statutory, rather than contractual, nature of a  
17 creditor's action **against** the insolvent insurer's estate and its potential impact on other creditors  
18 in denying the creditor's motion to compel arbitration:

19 [T]he issues [the creditor] seeks to have resolved by arbitration  
20 primarily involve setoff and proof of claims. These are precisely  
21 the types of disputes that the Ohio insurance liquidation statutes  
were designed to resolve. The liquidator is required under R.C.

22 <sup>5</sup> The case on which Plaintiff most heavily relies, *Arthur Andersen LLP v. Superior Court*, 67 Cal.  
23 App. 4th 1481, 1495 (1998), (Opposition, p. 14), does not concern a motion to enforce a  
24 contractual arbitration provision, or arbitration at all. Thus it in no way contravenes the rule that  
a receiver suing to enforce an insolvent insurer's contract must abide by that contract's arbitration  
clause.

25 <sup>6</sup> Any alleged harm suffered by "creditors and policyholders" is derivative of the alleged harm to  
26 NHC, (see, e.g., Compl. ¶ 3 ("This complaint concerns certain providers of services to, and  
27 management of, NHC, and how their conduct... caused substantial losses to NHC and, **ultimately**,  
the other parties represented by Commissioner." (emphasis added))), and therefore is not directly  
28 actionable. See *Pompei v. Clarkson*, No. 66459, 2016 WL 3486375, at \*2 (Nev. June 23, 2016)  
(holding that creditors of an insolvent corporation do not have standing to "assert derivative  
claims on behalf of insolvent corporations"). Likewise, an actuary cannot be liable for negligence  
to anyone other than the "affected insurer or the [Insurance] Commissioner." NRS 681B.250.

1 3903.43(A) to review, investigate, and value all claims filed in a  
2 liquidation. . . . [E]nforcement of an arbitration provision is not  
3 mandatory if it would affect the priority of claims of creditors or  
4 adversely affect a party to the liquidation proceeding. Under these  
circumstances, compelling arbitration would affect the rights of  
other creditors and frustrate the purpose of the liquidation statute.

5 *Id.* at 837–38. In contrast to the Liquidator’s claims in *Covington*, Plaintiff’s action against  
6 Milliman encompasses contract and tort claims relating to Milliman’s pre-insolvency relationship  
7 with NHC, not set offs, or proofs of claim, or causes of action arising from the Nevada liquidation  
8 statute. This case is separate and distinct from the ongoing Receivership Action and it neither  
9 threatens or states an interest in NHC assets or property, nor will it affect any creditors’ rights.

10 While Plaintiff asserts that it would be “not fair” to NHC’s creditors and policyholders to  
11 enforce the arbitration clause, because it limits the scope of discovery and precludes punitive  
12 damages, (Opposition, p. 15), this Court cannot vitiate an otherwise valid arbitration clause  
13 simply to improve the perceived strength of Plaintiff’s case. *See Suter v. Munich Reins. Co.*, 223  
14 F.3d 150, 161 (3d Cir. 2000) (“It is true, as the Liquidator stresses, that if the District Court or an  
15 arbitrator should decide the reinsurance agreement does not cover the disputed expenses, the  
16 estate will be smaller than if that issue was resolved in the Liquidator’s favor. But the mere fact  
17 that policyholders may receive less money does not impair the operation of any provision of New  
18 Jersey’s Liquidation Act.”). Plaintiff’s argument also contravenes the Nevada Supreme Court’s  
19 express recognition that the cost savings and efficiency of streamlined discovery in arbitration  
20 will inure to the *benefit* of the State and NHC’s creditors. *D.R. Horton, Inc.*, 120 Nev. at 553, 96  
21 P.3d at 1162. (“[A]rbitration generally avoids the higher costs and longer time periods associated  
22 with traditional litigation.”).<sup>7</sup> In any event, a court cannot rely on such public policy  
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25 <sup>7</sup> Plaintiff raises the same meritless arguments to support her contention that the American  
26 Arbitration Association is not an adequate forum in which to litigate Plaintiff’s claims against  
27 Milliman. (Opposition, p. 20). There can be no legitimate dispute concerning the adequacy of the  
28 AAA. Courts in Nevada routinely enforce AAA arbitration agreements. *See, e.g., Phillips v. Parker*, 106 Nev. 415, 416, 794 P.2d 716, 717 (1990); *Lane-Tahoe, Inc. v. Kindred Const. Co., Inc.*, 91 Nev. 385, 388 n.2, 536 P.2d 491, 493 n.2 (1975); *Cox v. Station Casinos, LLC*, No. 2:14-cv-638-JCM-VCF, 2014 WL 3747605, at \*5 (D. Nev. June 25, 2014).

1 considerations to vitiate a binding arbitration clause. *See AT&T Mobility LLC v. Concepcion*, 563  
2 U.S. 333, 341–42 (2011).

3 Finally, Plaintiff’s assertion that she at all times acts to protect NHC’s creditors is  
4 particularly unavailing given that Plaintiff has sued NHC’s “predominant creditor,” the U.S.  
5 Department of Health and Human Services, seeking over \$43 million in damages. *See* Complaint  
6 and Demand for Jury Trial, *Richardson v. U.S. Dep’t of Health and Human Serv., et al.*, No. 2:17-  
7 cv-00775-JCM-PAL (D. Nev. Mar. 16, 2017), ECF No. 1, at ¶13.

8 **B. The FAA and NAA Mandate Arbitration of Plaintiff’s Claims Against Milliman**

9 Plaintiff does not, and cannot, refute that under both the FAA and the NAA, arbitration  
10 agreements are “valid, irrevocable and enforceable, save upon such grounds as exist in law or  
11 equity for the revocation of a contract.” 9 U.S.C. § 2, NRS 38.219(1). Nor does Plaintiff address  
12 that the U.S. Supreme Court has limited the exception in the FAA and NAA to “[g]enerally  
13 applicable contract defenses, such as fraud, duress, or unconscionability.” *Doctor’s Assocs. v.*  
14 *Casarotto*, 517 U.S. 681, 687 (1996). Plaintiff asserts none of these defenses in her Complaint or  
15 Opposition.

16 Plaintiff’s contention that the Nevada Liquidation Act reverse-preempts the FAA under  
17 the McCarren-Ferguson Act, 15 U.S.C. §§ 1011-1015, fails for three reasons. First, nothing in  
18 the Nevada Liquidation Act precludes a liquidator from arbitrating its claims, and the  
19 Receivership Order entered pursuant to the Act expressly authorizes Plaintiff to prosecute “suits  
20 **and other legal proceedings**” on behalf of NHC. (Order, §14(h) (emphasis added)).<sup>8</sup> Absent such  
21 a conflict, there is no reverse preemption. *Quackenbush v. Allstate Ins. Co.*, 121 F.3d 1372,  
22 1381-82 (9th Cir. 1997).

23 Second, several courts, including the U.S. Ninth Circuit Court of Appeals in *Quackenbush*  
24 *v. Allstate Insurance Co.*, 121 F.3d at 1381-82, have rejected Plaintiff’s argument that forcing a  
25 statutory liquidator to arbitrate straightforward breach of contract claims either implicates the

26  
27 <sup>8</sup> As discussed above, courts in jurisdictions with liquidation statutes similar to Nevada’s  
28 routinely enforce contractual arbitration provisions against liquidators where they are pursuing  
claims that relate to the agreement at issue. *See, e.g., Bennett*, 968 F.2d at 972; *Costle*, 839 F.  
Supp. at 272; *Koken*, 34 F. Supp. 2d at 247; *O’Dom*, 2015 WL 10384362, at \*4.

1 business of insurance or interferes with the liquidator's statutory function. *See also AmSouth*  
2 *Bank v. Dale*, 386 F.3d 763, 783 (6th Cir. 2004) (finding no reverse preemption where  
3 liquidator's "ordinary [tort and contract] suit against a tortfeasor" did not implicate the  
4 "regulation of the business of insurance"); *Grode v. Mut. Fire, Marine and Inland Ins. Co.*, 8 F.3d  
5 953, 959–60 (3d Cir. 1993) (finding no reverse preemption because liquidator's "[s]imple  
6 contract and tort actions" against third party have "nothing to do with [the State's] regulation of  
7 insurance"); *Koken*, 34 F. Supp. 2d at 247 (granting motion to compel arbitration where "this  
8 action has nothing to do with Pennsylvania's statutory scheme for the regulation of the business  
9 of insurance because it is not an action against an insolvent insurer's estate that might deprive it  
10 of assets; instead, it is an action by the Liquidator against a third party, here a reinsurer for the  
11 insolvent insurer, to recover money for the estate on a breach-of-contract claim"); *Midwest*  
12 *Employers Cas. Co. v. Legion Ins. Co.*, No. 4:07CV870 CDP, 2007 WL 3352339, at \*5 (E.D. Mo.  
13 Nov. 7, 2007) ("The ultimate issue in this case is a standard contract dispute, so the case does not  
14 involve the state's regulation of insurance."); *Northwestern Corp. v. Nat'l Union Fire Ins. Co. of*  
15 *Pittsburgh, PA*, 321 B.R. 120, 126 (Bankr. D. Del. 2005); *Nichols v. Vesta Fire Ins. Corp.*, 56 F.  
16 Supp. 2d 778, 780 (E.D. Ky. 1999); *Costle*, 839 F. Supp. at 275.

17 In *Quackenbush*, as here, the California liquidator of an insolvent insurer brought  
18 common law tort and contract claims against a reinsurer in an action that was separate from the  
19 statutory insolvency proceedings. *Id.* at 1374. The reinsurance agreements at issue contained  
20 broad arbitration language that encompassed the liquidator's claims, just as the Milliman-NHC  
21 Agreement does. *Id.* at 1380. Hoping to avoid arbitration, the liquidator argued that under the  
22 McCarren-Ferguson Act, "the FAA cannot preempt any state insurance law that prohibits  
23 arbitration of the Liquidator's claims." *Id.* at 1381. The Ninth Circuit disagreed, holding that  
24 arbitration of the liquidator's common law tort and contract "claims against Allstate—which [the  
25 liquidator] has pursued outside the statutory insolvency proceedings—will not interfere with  
26 California's insolvency scheme." *Id.*

1 Similarly, in *Suter v. Munich Reins. Co.*, the Third Circuit Court of Appeals rejected a  
2 liquidator's argument that "the arbitration of this controversy . . . will impair New Jersey's  
3 Liquidation Act," holding:

4 This is not a delinquency proceeding or a proceeding similar to one  
5 [nor] a suit by a party seeking to access the assets of the insurer's  
6 estate. . . . What this proceeding is is a suit instituted by the  
7 Liquidator against a reinsurer to enforce contract rights for an  
8 insolvent insurer, which, if meritorious, will benefit the insurer's  
estate. Accordingly, we fail to perceive any potential for  
interference with the Liquidation Act proceedings before the  
Superior Court.

9 223 F.3d at 161. The Court thus held that, under the McCarren-Ferguson Act, the New Jersey  
10 liquidation statute did not reverse preempt the FAA.

11 Plaintiff cites no relevant authority to contravene this on-point precedent. *Munich Am.*  
12 *Reinsurance Co. v. Crawford*, 141 F.3d 585 (5th Cir. 1998) (cited at Opposition, p. 9), involved a  
13 claim brought by a reinsurer **against** the assets of an insolvent insurer's estate as part of a  
14 liquidation proceeding. And both *Stephens v. Am. Int'l Ins. Co.*, 66 F.3d 41 (2d Cir. 1995) and  
15 *Ernst & Young, LLP v. Clark*, 323 S.W.3d 682 (Ky. 2010), were decided pursuant to the  
16 Kentucky liquidation and arbitration statutes, which differ from Nevada's law in several critical  
17 respects.

18 Plaintiff also offers no evidence to show that arbitration will "interfere" with either the  
19 liquidation of NHC or the liquidation statute. While Plaintiff asserts that the Nevada liquidation  
20 statute "recognizes the need for consolidation in one court," (Opposition, p. 10), Judge Cory, who  
21 entered the Receivership Order and presides over the liquidation proceedings, **denied** Plaintiff's  
22 request to coordinate and consolidate Plaintiff's action against Milliman with the liquidation  
23 proceeding. See Notice of Entry of Order Denying Plaintiff's Motion to Coordinate Cases  
24 attached hereto as **Exhibit A**.

25 As in *Quackenbush* and *Suter*, arbitrating Plaintiff's common law damages claims against  
26 Milliman will not "disrupt the orderly liquidation of an insolvent insurer" or otherwise interfere  
27 with Nevada's insolvency scheme. 121 F.3d at 1381. Therefore, there is no reverse preemption.  
28

1 Finally, Plaintiff ignores that, even if the FAA is somehow inapplicable, the NAA, which  
2 is not pre-empted, is substantively identical and mandates enforcement of the Agreement's  
3 arbitration clause. While Plaintiff invokes the rule of construction that a specific statute governs  
4 over a conflicting general one, that rule does not apply where, as here, there is no conflict  
5 between the two statutes. *Karczewski v. DCH Mission Valley LLC*, 862 F.3d 1006, 1016 (9th Cir.  
6 2017) (applying "the familiar rule of construction that, where possible, provisions of a  
7 [regulation] should be read so as not to create a conflict.") (quoting *La. Pub. Serv. Comm'n v.*  
8 *FCC*, 476 U.S. 355, 370 (1986) (brackets in original)).

9 **C. The Receivership Order Permits Arbitration and Does Not Mandate That This**  
10 **Court Try Plaintiff's Claims Against Milliman**

11 Plaintiff is well aware that the Receivership Order does not provide for "exclusive  
12 jurisdiction" over any and all claims that Plaintiff brings on NHC's behalf, or allow her to haul  
13 any defendant into Nevada State Court at her discretion. Consider, for example, if Milliman was  
14 not subject to personal jurisdiction in Nevada. Surely Plaintiff would not concede that it lacked  
15 the authority under the Order to bring suit in the appropriate out-of-state forum, nor would the  
16 Receivership Order confer jurisdiction over Milliman. To that end, Plaintiff has sued HHS in the  
17 U.S. District Court for the District of Nevada for more than \$43 million in payments allegedly  
18 owed to NHC. See Complaint and Demand for Jury Trial, *Richardson v. U.S. Dep't of Health*  
19 *and Human Serv., et al.*, No. 2:17-cv-00775-JCM-PAL (D. Nev. Mar. 16, 2017), ECF No. 1. Just  
20 as the Receivership Order could not create jurisdiction over HHS where both federal law and a  
21 forum selection clause in the loan agreement between NHC and HHS (quoted at *id.*, ¶ 11)  
22 required Plaintiff to pursue its claims against HHS in federal court in Nevada, the Receivership  
23 Order does not vitiate either the valid and enforceable arbitration clause in the Agreement or the  
24 well-settled federal and state law requiring its enforcement.

25 On the contrary, the Order expressly authorizes Plaintiff to "[c]ollect all debts and monies  
26 due and claims belonging to [NHC], *wherever located*," and to "initiate and maintain actions at  
27 law or equity *or any other type of action or proceeding of any nature*, in this *and other*  
28 *jurisdictions*," and to "[i]nstitute and prosecute . . . any and all suits *and other legal*



1 **proceedings.**” (Order, §§ 14(a), (h) (emphases added)). Plaintiff contends that while these  
2 provisions of the Receivership Order afford her “discretion to choose a forum” in which to  
3 litigate, she cannot be compelled to litigate outside of this Court. (Opposition, p. 18). However,  
4 **nothing** in the Order grants Plaintiff such exclusive “discretion.”

5 Contrary to Plaintiff’s assertion, Milliman’s filing of a proof of claim in the Receivership  
6 Action is not an acknowledgement of the Court’s “exclusive jurisdiction.” *Quackenbush* rejected  
7 a similar contention, recognizing that a third party’s claims **against** the liquidation estate of an  
8 insolvent insurer “are entirely distinct” from the liquidator’s common law and tort claims against  
9 that third party. 121 F.3d at 1374–75. The Court therefore the affirmed the district court’s  
10 granting of the defendant’s motion to compel arbitration of the liquidator’s action against it, and it  
11 also denied the defendant’s request to enjoin certain aspects of the state court liquidation  
12 proceeding that could affect the arbitration. *Id.*

13 Finally, granting Milliman’s motion to compel arbitration is appropriate even assuming,  
14 *arguendo*, the Receivership Order had conferred this Court with exclusive jurisdiction. The  
15 Nevada Supreme Court has held that arbitration does not “divest” a state court of jurisdiction over  
16 the underlying action. *Henderson v. Watson*, No. 64545, 2015 WL 2092073, at \*1 (Nev. Apr. 29,  
17 2015). This Court will retain jurisdiction to, *inter alia*, confirm and enforce the arbitrators’  
18 decision.

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III. CONCLUSION

For all of the reasons discussed above, Milliman respectfully requests that the Court enter an order compelling arbitration pursuant to the Agreement.

DATED this 3rd day of January, 2018.

SNELL & WILMER L.L.P.

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*Mary van der Heijde*

**CERTIFICATE OF SERVICE**

I am a resident of the State of Nevada, over the age of eighteen years, and not a party to the within action. My business address is 3883 Howard Hughes Parkway, Suite 1100, Las Vegas, NV 89169. On the below date, I served the above **MILLIMAN'S REPLY IN SUPPORT OF MOTION TO COMPEL ARBITRATION** as follows:

<input type="checkbox"/>	<b>BY FAX:</b> by transmitting via facsimile the document(s) listed above to the fax number(s) set forth below on this date before 5:00 p.m. pursuant to EDCR Rule 7.26(a). A printed transmission record is attached to the file copy of this document(s).
<input type="checkbox"/>	<b>BY HAND:</b> by personally delivering the document(s) listed above to the person(s) at the address(es) set forth below.
<input type="checkbox"/>	<b>BY MAIL:</b> by placing the document(s) listed above in a sealed envelope with postage thereon fully prepaid, in the United States mail at Las Vegas, Nevada addressed as set forth below.
<input type="checkbox"/>	<b>BY E-MAIL:</b> by transmitting via e-mail the document(s) listed above to the e-mail address(es) set forth below.
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<b>X</b>	<b>BY ELECTRONIC SUBMISSION:</b> submitted to the above-entitled Court for electronic filing and service upon the Court's Service List for the above-referenced case.

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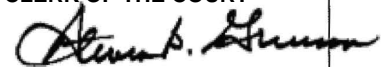
DATED: January 3, 2018.

  
An Employee of Snell & Wilmer L.L.P.

4826-9866-0186.1

# EXHIBIT A

Notice of Entry of Order Denying Plaintiff's  
Motion to Coordinate Cases



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*Attorneys for Defendants Milliman, Inc.,  
Jonathan L. Shreve, and Mary van der Heijde*

EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

STATE OF NEVADA, EX REL.  
COMMISSIONER OF INSURANCE, IN HER  
OFFICIAL CAPACITY AS STATUTORY  
RECEIVER FOR DELINQUENT DOMESTIC  
INSURER,

Plaintiff,

vs.

NEVADA HEALTH CO-OP,

Defendant.

Case No. A-15-725244-C

Dept. No. 1

**NOTICE OF ENTRY OF ORDER  
DENYING PLAINTIFF'S MOTION TO  
COORDINATE CASES**

AND

STATE OF NEVADA, EX REL.  
COMMISSIONER OF INSURANCE,  
BARBARA D. RICHARDSON, IN HER  
OFFICIAL CAPACITY AS RECEIVER FOR  
NEVADA HEALTH CO-OP,

Plaintiff,

vs.

Case No. A-17-760558-B

Dept. No. 25

MILLIMAN, INC., a Washington Corporation;  
JONATHAN L. SHREVE, an Individual; MARY  
VAN DER HEIJDE, an Individual;  
MILLENNIUM CONSULTING SERVICES,  
LLC, a North Carolina Corporation; LARSON &  
COMPANY P.C., a Utah Professional  
Corporation; DENNIS T. LARSON, an  
Individual; MARTHA HAYES, an Individual;  
INSUREMONKEY, INC., a Nevada Corporation;  
ALEX RIVLIN, an Individual; NEVADA  
HEALTH SOLUTIONS, LLC, a Nevada Limited  
Liability Company; PAMELA EGAN, an  
Individual; BASIL C. DIBSIE, an Individual;  
LINDA MATTOON, an Individual; TOM  
ZUMTOBEL, an Individual; BOBBETTE  
BOND, an Individual; KATHLEEN SILVER, an  
Individual; DOES I through X, inclusive; and  
ROE CORPORATIONS I-X, inclusive,

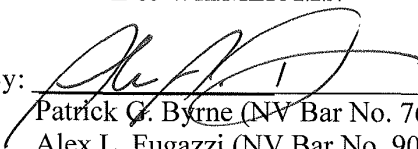
Defendants.

PLEASE TAKE NOTICE that the Order Denying Plaintiff's Motion to Coordinate Cases  
was entered with this Court on December 11, 2017, a copy of which is attached hereto.

DATED this 12 day of December 2017.

SNELL & WILMER L.L.P.

By:

  
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*Attorneys for Defendants  
Milliman, Inc., Jonathan L. Shreve, and  
Mary van der Heijde*

# **CERTIFICATE OF SERVICE**

I am a resident of the State of Nevada, over the age of eighteen years, and not a party to the within action. My business address is 3883 Howard Hughes Parkway, Suite 1100, Las Vegas, Nevada 89169. On the below date, I served the above **NOTICE OF ENTRY OF ORDER DENYING PLAINTIFF'S MOTION TO COORDINATE CASES** as follows:

<input type="checkbox"/>	<b>BY FAX:</b> by transmitting via facsimile the document(s) listed above to the fax number(s) set forth below on this date before 5:00 p.m. pursuant to EDCR Rule 7.26(a). A printed transmission record is attached to the file copy of this document(s).
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<b>X</b>	<b>BY ELECTRONIC SUBMISSION:</b> submitted to the above-entitled Court for electronic filing and service upon the Court's Service List for the above-referenced case.

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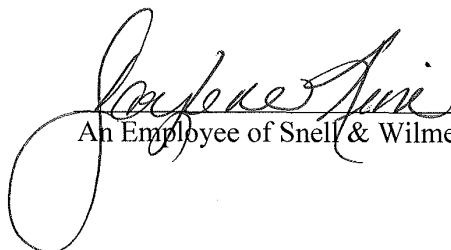
*Attorneys for Defendants InsureMonkey, Inc.  
and Alex Rivlin*



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DATED: December 12, 2017.



An Employee of Snell & Wilmer L.L.P.

1 MILLIMAN, INC., a Washington Corporation;  
2 JONATHAN L. SHREVE, an Individual; MARY  
3 VAN DER HEIJDE, an Individual;  
4 MILLENNIUM CONSULTING SERVICES,  
5 LLC, a North Carolina Corporation; LARSON &  
6 COMPANY P.C., a Utah Professional  
7 Corporation; DENNIS T. LARSON, an  
8 Individual; MARTHA HAYES, an Individual;  
9 INSUREMONKEY, INC., a Nevada Corporation;  
10 ALEX RIVLIN, an Individual; NEVADA  
11 HEALTH SOLUTIONS, LLC, a Nevada Limited  
Liability Company; PAMELA EGAN, an  
Individual; BASIL C. DIBSIE, an Individual;  
LINDA MATTOON, an Individual; TOM  
ZUMTOBEL, an Individual; BOBBETTE  
BOND, an Individual; KATHLEEN SILVER, an  
Individual; DOES I through X, inclusive; and  
ROE CORPORATIONS I-X, inclusive,  
  
Defendants.

14 On September 15, 2017, the Commissioner of Insurance, Barbara D. Richardson, in her  
15 official capacity as receiver for Nevada Health CO-OP (“Plaintiff” or “Commissioner”) filed her  
16 motion to coordinate cases (“Motion”). On October 26, 2017, Defendants Milliman, Inc.,  
17 Jonathan L. Shreve, and Mary van der Heijde (collectively “Milliman”) filed their Opposition.  
18 On October 30, 2017, Nevada Health Solutions, LLC (“NHS”) and InsureMonkey, Inc. and Alex  
19 Rivlin (collectively “InsureMonkey”) filed joinders to Milliman’s Opposition. On October 31, 2017,  
20 Kathleen Silver, Bobbette Bond, Tom Zumtobel, Pam Egan, Basil Dibsie, and Linda Mattoon filed a  
21 joinder to Milliman’s Opposition. On November 1, 2017, Martha Hayes, Dennis T. Larson, and  
22 Larson & Company P.C. (collectively “Larson”) filed a joinder to Milliman’s Opposition. On  
23 November 6, 2017, Plaintiff filed her Reply.

24 The Motion came on for hearing on November 7, 2017, at 9:00 a.m. in Department I of  
25 the Eighth Judicial Court. Donald L. Prunty, Esq. of Greenberg Traurig, LLP appeared on behalf  
26 of Plaintiff. Patrick G. Byrne, Esq. of Snell & Wilmer LLP appeared on behalf of Milliman.  
27 Evan L. James, Esq. of Christensen, James & Martin appeared on behalf of NHS. Brian  
28 Blankenship, Esq. of Schwartz Flansburg PLLC appeared on behalf of InsureMonkey. Russell B.

Brown, Esq. of Meyers McConnell Reisz Siderman appeared via telephonically for Larson.

Having considered the relevant briefing and exhibits, having heard the arguments of counsel, for all of the reasons contained in the Opposition and the joinders thereto, and with good cause appearing, the Court hereby enters the following Order:

**IT IS HEREBY ORDERED** that Plaintiff's Motion to Coordinate Cases is DENIED without prejudice for the reasons stated on the record;

**IT IS FURTHER ORDER** that pursuant to EDCR 1.61, the Business Court of the Eighth Judicial Court has the power to decide whether the removal of case number A-17-760558-B to the Business Court was proper; if the Business Court later finds that it does not have jurisdiction over case number A-17-760558-B, the Commissioner may refile her Motion.

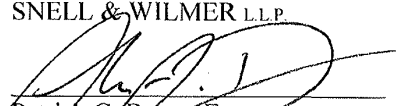
**IT IS SO ORDERED.**

DATED this 8 day of Dec, 2017.

  
DISTRICT COURT JUDGE

**Submitted by:**

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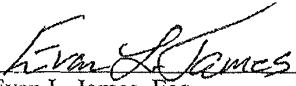
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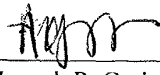
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1 TRAN  
2 CASE NO.A-17-760558-B  
3 DEPT. NO. 25  
4

5 DISTRICT COURT  
6 CLARK COUNTY, NEVADA

7 \* \* \* \* \*

8  
9 NEVADA COMMISSIONER OF )  
10 INSURANCE, )

11 Plaintiff, )

12 vs. )

13 MILLIMAN INC., )

14 Defendant. )  
15 \_\_\_\_\_ )

REPORTER'S TRANSCRIPT  
OF  
MOTION TO COMPEL ARBITRATION

16  
17  
18 BEFORE THE HONORABLE KATHLEEN DELANEY  
19 DISTRICT COURT JUDGE

20 DATED: TUESDAY, JANUARY 9, 2018  
21  
22  
23  
24

25 REPORTED BY: SHARON HOWARD, C.C.R. NO. 745

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7 PATRICK BYRNE, ESQ.

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1 LAS VEGAS, NEVADA; TUESDAY, JANUARY 9, 2018

2 P R O C E E D I N G S

3 \* \* \* \* \*

4  
5 THE COURT: Page 15, Nevada Commissioner of  
6 Insurance vs. Milliman.

7 Let's have appearances, please.

8 MR. FERRARIO: Mark Ferrario and Donald Prunty  
9 for Plaintiff.

10 MR. PRUNTY: Good morning, your Honor.

11 MR. BYRNE: Pat Byrne and Defendant, Milliman.  
12 It's our motion. With me from New York, he said he didn't  
13 bring the letter, is Justin Kattan from the Dentons Law  
14 Firm. He'll be arguing the motion.

15 THE COURT: I don't believe that he about the  
16 weather.

17 MR. BLANKENSHIP: Brian Blankenship from Schwartz  
18 Flansburg on behalf of InsureMonkey and Alex Rivlin  
19 today.

20 THE COURT: Thank you. Welcome to all of you.

21 This is on calendar I see for a motion to compel  
22 arbitration. It's been very well and thoroughly briefed.  
23 This is always an important issue in my opinion to have a  
24 thorough discussion because, well, all know under  
25 circumstances there are contracts and contracts have

1 provisions. One of the things that I think the court  
2 always must be vigilant on is not taking away someone's  
3 right access to the court when that shouldn't be the case.  
4 And sometimes these situations are between sophisticated  
5 parties on what they bargained for and this is where they  
6 go. Sometimes they are not. But each case begs its own  
7 ultimate review to determine if the court should allow the  
8 matter to not be within the court system and to be  
9 elsewhere.

10 Just with those general ruminations we're going  
11 to obviously proceed with argument, and I do sort of want  
12 to set up argument that way in that we do have nuances  
13 here as to who the parties are that are proceeding and  
14 what capacity they're proceeding, which way the wind blows  
15 on that.

16 Let's get started with any argument that you want to  
17 highlight that makes sure the court didn't misapprehend or  
18 not connect to.

19 Mr. Kattan.

20 MR. KATTAN: Thank you, your Honor.

21 As Mr. Byrne said, my name is Justin Kattan.  
22 I'm from Dentons US, LLP, on behalf of the Defendants  
23 Milliman, and individual actual Defendants John Shreve and  
24 Mary Van Der Heijde.

25 To start with I want to focus on a couple of the

1 aspects of the motion that are not in dispute as they go  
2 to some of the things you just raised, your Honor.

3 First of all, the arbitration clause at issue here,  
4 which is found at paragraph 5 of the consulting services  
5 agreement by and between Milliman and NHC -- Nevada Health  
6 Co-op -- is both broad and ambiguous. It covers all  
7 disputes that relate to or arise from the engagements of  
8 Milliman by NHC.

9 It's also undisputed that this agreement was entered  
10 into by sophisticated parties. It is not a contract of  
11 adhesion. It's not an unconscionable agreement. It's not  
12 an agreement secured by fraud or duress or any other  
13 grounds the Plaintiff raises in this case for revoking the  
14 agreement. Plaintiff does not provide evidence of or  
15 raise any of these defenses, either in their complaint or  
16 opposition papers on this motion.

17 That's important because under both the Federal  
18 Arbitration Act, the FAA, and the Nevada Arbitration Act,  
19 which has relevant wording, as well as the governing US  
20 Supreme Court case law. Those are the grounds on which a  
21 party can vitiate an otherwise valid, binding arbitration  
22 agreement. They don't exist here.

23 So what happens here is Plaintiff is raising several  
24 arguments in an effort to argue why, notwithstanding the  
25 language of the FAA and the NAA, she should be allowed to

1       evade arbitration here. Every single one of the arguments  
2       that Plaintiff raises here has been squarely rejected by  
3       several on-point decisions that Milliman cites both in its  
4       opening brief as well as in its reply.

5             The Plaintiff -- and I think this goes to what you  
6       were just saying, your Honor, in your opening remarks.  
7       The Plaintiff tries to portray a statutory liquidator as  
8       beyond the reach of a typical -- then the typical settled  
9       law concerning arbitration by virtue of the fact that a  
10      liquidator generally acts not for the insolvent insurer  
11      alone, but for also all of the insolvent insurance policy  
12      holders, creditors, and other estate holders. But it is  
13      simply not true. It is simply not true that the  
14      liquidator status puts her beyond the reach of the  
15      settlement arbitration law. Courts around the country  
16      have repeatedly rejected the notion that the liquidator  
17      can in all instances evaded a contractual arbitration  
18      clause. And there is a unifying thread that Milliman has  
19      cited that compels the liquidator to arbitrate. And that  
20      is when a liquidator's claims arise from and relate to  
21      insolvent insurers contractual relationship with a third  
22      party. And here, Plaintiff indisputably is bringing  
23      contract and tort claims arising from the agreement and the  
24      work that Milliman performed pursuant to it. The  
25      liquidator is bound to that agreement, including,

1 including an applicable arbitration clause just like the  
2 insolvent insurer would have been.

3 The basic rule underlying those cases was laid out by  
4 the Nevada Supreme Court in Ahlers vs. Ryland Homes, that  
5 a party cannot sue to enforce an agreement and, quote,  
6 simultaneously avoid other portions of the agreement, such  
7 as the arbitration provision. And that Black Letter Rule  
8 applies equally and statutorily for insurance  
9 liquidators.

10 The Ninth Circuit in Bennett vs. Liberty National  
11 Fire Insurance Company held, quote, if the liquidator  
12 wants to enforce the insurer's right under a contract, it  
13 must also assume its perceived liabilities.

14 In our reply brief we also cite a Southern District  
15 of California case, Points vs. National Indemnity Company,  
16 holds the same thing. In that case the court noted that  
17 the inconsistent approach, the idea of trying to enforce  
18 an insolvent insurer's agreement and simultaneously evade  
19 the arbitration clause has been rejected by the Ninth  
20 Circuit and several other courts.

21 THE COURT: Counsel, I'm sure you're getting  
22 there, but one thing that maybe is the elephant in the  
23 room is the order that exists in this case that purported  
24 to say that the matter had to be exclusive jurisdiction of  
25 the court. How does that reconcile with this.

1 I don't want you to not hit all your high points, but  
2 talking about sort of the general lay of the land, we  
3 still need to make sure we are touching upon what's  
4 happening.

5 MR. KATTAN: I'm happy to get to that now.

6 So there is no exclusive jurisdiction over any  
7 and all claims that the liquidator brings. The order  
8 clearly, clearly allows the liquidator to bring actions  
9 outside of Nevada State Court, clearly allows the  
10 liquidator to prosecute claims, quote, in other legal  
11 proceedings rather than State court litigation. Why is  
12 that language necessary.

13 That language is necessary because the order  
14 cannot create jurisdiction or supersede federal law or  
15 vitiate an otherwise valid arbitration clause. It's  
16 important not to tie the liquidator's hands, so she is  
17 precluded from bringing a claim altogether in a situation  
18 where she has to litigate out side of Nevada state court  
19 in order to pursue NHC's claims. The provisions of that  
20 order I was referring to is paragraph 14, 14 (a), and 14  
21 (h).

22 The Plaintiff knows this. The Plaintiff knows that  
23 there is no exclusive jurisdiction created by the -- what  
24 we've called in the papers, receivership. Plaintiff has  
25 sued the US Department of Health and Human Services in



1 Nevada federal court because, number one, there is no  
2 jurisdiction in Nevada state court under federal law, and  
3 two, a contractual form selection clause. The Plaintiff  
4 herself cites in her federal complaint, that there is a  
5 contractual form selection clause that dictated the  
6 Plaintiff had to file that suit in Nevada federal court.

7 A contract arbitration clause and the related  
8 federal/state law mandating enforcement of that contract  
9 arbitration clause should be treated no differently then  
10 the contractual clause in the contract between HHS and the  
11 Plaintiff that required her to file in Nevada federal  
12 court.

13 The Plaintiff's idea of exclusive jurisdiction vastly  
14 overstates what the liquidation court oversees. This  
15 case, the one that brings us here today, the one that  
16 Plaintiff brought against Milliman, is not a liquidation  
17 proceeding and it was not brought as part of the  
18 liquidation proceeding. In fact, the Plaintiff moved to  
19 try to coordinate and consolidate it with the liquidation  
20 and that motion was denied.

21 What this is, this is a -- there was a clear  
22 difference between a liquidation proceeding and what we  
23 have here, which is a claim brought by a liquidator  
24 against a third party based on straightforward,  
25 pre-insolvency common law and tort and contract claims.

1       What the order covers in its exclusive jurisdiction  
2       language are claims brought in the context of a  
3       liquidation proceeding.

4               So that, your Honor, I hope that answers your  
5       question.

6               THE COURT: It does. I just wanted to make sure  
7       that we acknowledge that and didn't just leave that for  
8       the response and then give you rebuttal, you know.

9               We can see the language in the injunction order and  
10       Subsection 14 and some debate as to what that was intended  
11       to mean or not mean. We see Chapter 696 (b) provisions  
12       and how they play. So I think you have encapsulated what  
13       the basic argument is.

14              Is there anything else you want to highlight or do  
15       you want to wait in rebuttal.

16              MR. KATTAN: I would like to highlight one  
17       point. I mentioned the rule about you can't both enforce  
18       a contract and vitiate a contract arbitration clause.

19              I would point out two things. Number one, the  
20       Plaintiff does not cite a single case, not one, that is  
21       contrary to the case law that we cite that stands for that  
22       rule that applies to a liquidator. There is no case that  
23       exempts the statutory liquidator from that rule and this  
24       idea that it's a non-signatory has been dismissed by the  
25       Ninth Circuit and all the other cases that we cited at

1 pages 4 and 5 of our reply brief.

2 The other thing I would say is in their brief the  
3 Plaintiff pushes the idea that the McCarren Ferguson Act  
4 gives her and out here. And it means -- she raises the  
5 McCarren Ferguson Act to bolster the idea that the general  
6 policy on arbitration cannot apply here. The general  
7 presumption in favor of arbitration cannot apply here.

8 That argument is a side shows in terms of Milliman's  
9 argument and the law that binds the statutory liquidators  
10 to arbitration clauses. It is not based on grand general  
11 policy pronouncements. It's based on specific case law  
12 and specific federal and state law that applies these  
13 arbitration clauses to these liquidators, notwithstanding  
14 the fact that they may technically be non-signatory, not  
15 notwithstanding the fact they have to bring claims on behalf  
16 of creditors.

17 Not to belabor the point, they're in our brief about  
18 why a non-signatory doesn't work and why the idea that  
19 they're bringing claims they don't stand in the shoes.  
20 They're bringing claims on behalf of creditors. That  
21 argument doesn't work.

22 But the idea that the McCarren Ferguson Act  
23 supercedes Milliman's attempt to enforce the arbitration  
24 clause really doesn't work here, because again, these are  
25 not general policy arguments. They are specific arguments

1 based on point, binding precedents that vitiates  
2 Plaintiff's argument.

3 I will take time to respond to Plaintiff's arguments  
4 on rebuttal.

5 THE COURT: I'll give you rebuttal.

6 Mr. Ferrario, are you trying to enforce the  
7 contract on one hand and vitiate the arbitration clause on  
8 the other.

9 MR. FERRARIO: I don't think that's what we're  
10 trying to do. I think we're acting as a receiver under  
11 the Nevada Insurance Code, and we're trying to protect  
12 creditors, claimants. We're trying to marshal assets for  
13 an estate. That's all we are doing.

14 What's interesting is Milliman is a sophisticated  
15 insurance business. They understand this. This isn't  
16 something that's a secret to them how this works. You  
17 look around the country and talks about cases around the  
18 country, Kentucky, Louisiana, Ohio, Fifth Circuit, Tenth  
19 Circuit where this is very common place. This isn't a  
20 surprise to Milliman, okay.

21 THE COURT: Does seem though the case law you  
22 cited where it focuses on the non-signatory issue, those  
23 cases still stand for the proposition that if you are  
24 suing to enforce a contract that you have to abide by the  
25 totality of the contract.

1           MR. FERRARIO: They are in a different context,  
2 your Honor. They never cited one case that's in this  
3 context where that applies. That's really the issue here.  
4 You hit the nail on the head.

5           Most of what they are arguing is outside of the  
6 context that we are in, which is a liquidation here of a  
7 failed insurance company. Okay. If you look at the cases  
8 that deal with this issue and you start -- I think you  
9 started from the right place. Look at the order that was  
10 entered by Judge Corey. All property is within the  
11 control of this court. If you look at this -- this is  
12 what I found interesting as I was preparing for this.  
13 Look at page 12 of the Defendant's motion.

14          THE COURT: Okay.

15          MR. FERRARIO: They actually argue for a minute,  
16 but I don't think it really gets them there, that a claim  
17 is not property. Of course it is. I don't have to argue  
18 that to your Honor. Any claim that we have is property of  
19 the estate, if you will. Here a property of the receiver.  
20 Here that is exclusively under the jurisdiction of this  
21 court. That is without dispute. If you read the order,  
22 which they tap dance around, they want to read Sections 14  
23 and 16. Look at paragraph 3. We cite this on page 5 of  
24 our pleading. It says clearly, property is hereby placed  
25 in custodial lien and list of this court and a receiver.

1 So we have exclusive control, this court has exclusive  
2 control as to how we go after her property, which is our  
3 claims. Okay.

4 And so I think your Honor went to the right place.  
5 You went right to the order. This is a statutory scheme  
6 that is integrated into the regulation of insurance  
7 companies. And, again, in other courts where the same  
8 arguments have been made -- in fact, he talks about --  
9 that the reverse preemption argument is sort of a red  
10 herring. Well, the Tenth Circuit didn't think that.  
11 Where you have a comprehensive regulatory scheme like we  
12 do here is McCarren Ferguson makes it clear that State law  
13 controls.

14 Now, some other interesting things that they talk  
15 about here. They argue about arbitration being more  
16 efficient. How is it more efficient that I now have to  
17 pay for 3 people to hear this claim. What they're  
18 advocating for is dissipation of assets of the estate.  
19 This is something you touched on early about access to the  
20 court. They want us to have to dissipate assets of the  
21 estate to pursue our claims. They argue without any  
22 evidentiary support that that's more efficient. I'm here  
23 to tell you I've been through a number of 3 panel  
24 arbitrations. Typically they're anything but efficient,  
25 and they are very costly.

1           So if you look at that in terms of the overall  
2 principles behinds what it is my client is doing, which  
3 is, again, stepping into the shoes, to some extent, of the  
4 failed company. But also vindicating rights of creditors,  
5 policy holders, and everyone else. And the way the  
6 statute is to work is we have the choice, okay, this court  
7 has the obligation to enforce that choice of where we  
8 litigate these claims.

9           Again, your Honor, for Milliman to come in and say  
10 this the unfair to me, again shows a lack of  
11 sophistication -- and probably we shouldn't be surprised  
12 how they performed under this contract -- of what it is  
13 they were doing here. They were jumping into the  
14 insurance industry in Nevada. They should not be  
15 surprised that this may vitiate this provision that they  
16 had in their contract.

17           And the other thing that's footnoted here, and they  
18 skipped it a little in their argument. Remember, Milliman  
19 wanted New York law to apply here. Under New York law --  
20 we cite that in our footnote. Under New York law  
21 arbitration in this context are struck down. So the very  
22 choice of law that they want to apply knocks them out of  
23 box. But they don't mention it. They say, well, this is  
24 a procedural thing and that's substantive. That's  
25 nonsense. If they want to enforce all of the contract

1 under one set of laws, then they ought to be bound by that  
2 set of law. They said New York. New York says you don't  
3 get arbitration.

4 So I would answer any questions the court has. I  
5 think between the two parties we have scorched the earth  
6 on cases that have dealt with this.

7 THE COURT: It was very thorough.

8 MR. FERRARIO: I don't think we left anything to  
9 chance. If you have any questions -- I think your Honor  
10 started in the right place. I think Judge Corey's order  
11 is absolutely correct. It's consistent with the statute.  
12 We are here to marshal assets in the most efficient and  
13 effective way to protect creditors and claimants and  
14 policy holders and that's what we do. And forcing us to  
15 litigate parts of this in other forums is not consistent  
16 with that public policy and purpose.

17 Thank you, your Honor.

18 THE COURT: I'll let you head where you want to  
19 because I'm sure you have some thoughts in your head, but  
20 I may have questions.

21 MR. KATTAN: I'm happy to start wherever you  
22 want me too.

23 THE COURT: When the focus was on, well, yeah,  
24 the order says exclusive jurisdiction, relying on  
25 receivership statute. It says the certain things it says.



1 But then it focuses on 14 with sub-parts where it purports  
2 to give the receiver the option to do things other ways  
3 then somehow that's a recognition that we don't have to  
4 stay in court. Isn't that really something that enures to  
5 the benefit of the receiver. Is it necessarily something  
6 that can be argued here to support your side of the  
7 coin.

8 MR. KATTAN: Sure. Let me make two responses to  
9 that argument.

10 Let's look at the plain language of the order. There  
11 is nothing, nothing in the plain language of the order  
12 that gives the liquidator that kind over unfettered  
13 unilateral discretion.

14 Second, if the liquidator had that kind of sole  
15 discretion, why would the liquidator ever choose to  
16 litigate elsewhere, or, in quote, other legal proceedings  
17 like arbitration. And assuming the answer to that  
18 question is because there are circumstances where a  
19 liquidator must pursue claims outside of Nevada state  
20 courts. Well, this is one of those times. This is one of  
21 those times. There's no reason why federal law and state  
22 law mandating enforcement of an arbitration clause should  
23 be treated with any less sanctity then in federal law  
24 conferring jurisdiction over claims against the federal  
25 government in federal courts. Nor is there a reason why

1 contractual arbitration provision in Milliman's agreement  
2 with NHC should be treated any differently then  
3 contractual venue selection in a jurisdiction provision  
4 that was in the contract that the Plaintiff are trying to  
5 enforce between NHC and the Department of Health and Human  
6 Services. That's why this idea of -- it just gives the  
7 liquidator the right to do whatever they want. (a),  
8 there's nothing in the order that say that. (b),  
9 practice, their own actions make clear that they don't  
10 believe that.

11 Unless you have any question.

12 THE COURT: I don't have a question about that.  
13 I wanted you to have the opportunity to respond to Mr.  
14 Ferrairo's comment.

15 MR. KATTAN: If you have a question on a  
16 different topic, I'd be happy to go over it. Because  
17 there is some things about Plaintiff's argument I would  
18 like to address. The last impact there.

19 First, the idea that we don't cite a single case in  
20 this context. I'm not sure what Counsel meant by that,  
21 but if you look at pages 4 and 5 of our relay brief, we  
22 cite a dozen cases from all around the country where  
23 contractual arbitration clauses were enforced against  
24 statutory liquidators and jurisdiction that have  
25 limitation statutes that are similar to Nevada.

1           THE COURT: But you'd admit there is nothing  
2           that requires that in Nevada, yet.

3           MR. KATTAN: Yet. You are correct there was not  
4           an on-point case law that -- there is none in Nevada.

5           THE COURT: Just as a side note, because I know  
6           you're visiting our jurisdiction. When I first moved back  
7           here -- I practiced in California -- I remember walking  
8           into -- if everyone is old enough to remember the law  
9           library that used to be at the base of the FIB building --  
10          the stacks in there. I walked in and I said to the guy,  
11          where are the Nevada Reporters, where's the stuff. There  
12          was a bookshelf like that, with 3 shelves and that was it.  
13          That's it. It hasn't grown much since.

14          MR. KATTAN: We noticed in putting this together  
15          there is sometimes an absence of Nevada jurisdiction on a  
16          lot of things. In this case there was really good Nevada  
17          law that supports or position, including in a liquidation  
18          context, Ahlers vs. Ryland Homes, which stands for the  
19          proposition you can't both enforce and evade an  
20          arbitration clause. There is no reason not to apply that  
21          to the insurance liquidation context. There are a dozen  
22          or so cases we cite on pages 4 and 5 of our reply brief  
23          that states -- unless you want me to go to them, I'll stand  
24          on my brief on that point.

25          THE COURT: Your case law cited is persuasive.

1 It's non-binding, of course. But there is persuasion to  
2 that.

3 Really where the court is going to make the call is,  
4 I think, going to have to make the call that best serves  
5 the purposes of our statutes and our situation. And I  
6 think while we do have this conflict, for lack of a better  
7 word, between contract and the efforts that are being  
8 undertaken in part to enforce the contract and the unique  
9 context that we have arising, I think still comes down to  
10 what is best suited for the needs of the folks involved.  
11 And if you want to comment on that, or anything else you  
12 want to comment on.

13 MR. KATTAN: Sure. I would like to comment on  
14 that. I commented both from a legal perspective and a  
15 practical perspective.

16 First, let's address the idea that somehow  
17 arbitrating would --

18 THE COURT: Dissipate the assets.

19 MR. KATTAN: I can start there if you'd like to.  
20 Fine.

21 Frankly, that just -- the Nevada Supreme Court  
22 held otherwise. The Nevada Supreme Court held in the DR  
23 Horton case that arbitration is more cost effective and  
24 more efficient than traditionally litigation. That's not  
25 my opinion. That's Nevada Supreme Court juris prudence.

1           Moreover, this idea that on the one hand -- think of  
2           their argument. Think about how internally inconsistent  
3           it is. One of the main arguments they raises today is try  
4           to say that arbitration is inappropriate here. Is that  
5           arbitration has far more limited discovery then discovery  
6           in this court would allow. That just goes exactly to what  
7           the Nevada Supreme Court is saying, it's written into the  
8           contract. It's a far more efficient and cost effective  
9           process. I suppose you have to pay the arbitrators. As  
10          your Honor I'm sure well knows attorneys from Greenberg  
11          Traurig and every other attorney who's dealt with civil  
12          discovery in a multi-defendant case such as this, the real  
13          costs get run up during discovery. That's going to be far  
14          more costly then simply paying 3 arbitrators. So their  
15          own argument proves why this idea that they're going to be  
16          dissipating estate assets is frankly wrong.

17          The idea that, well, there is other Defendants.  
18          Look, that is an issue in any arbitration where multiple  
19          Defendants or one Defendant has an arbitration clause and  
20          other Defendants don't. That's not a normal reason to  
21          initiate an otherwise valid, binding arbitration clause.  
22          So why is it a reason to vitiate an arbitration clause  
23          here.

24          The Supreme Court said you can't use -- the US  
25          Supreme Court has said you can't use those kind of general

1 public policy arguments to knockout a -- knockout a valid  
2 and binding arbitration clause. AT&T vs. Ascension case,  
3 the Southland Corp case, the Ninth Circuit, the  
4 Quackenbush case you can't use these sort of general  
5 pronouncements of public policy to vitiate an otherwise  
6 valid and binding arbitration clause. So for all those  
7 reasons this idea that, you know, it might be more  
8 expensive or it might run up costs, (a) not true, (b), if  
9 it was true that's an issue always with arbitration when  
10 you have these multiple Defendants. And it's still not a  
11 reason to get rid of an arbitration clause that's binding.  
12 Multiple jurisdictions including the US Supreme Court and  
13 the Ninth Circuit have upheld that.

14 The other thing I think that's important to recognize  
15 and this is the something that the Plaintiffs did  
16 throughout their papers and Counsel did it again here.  
17 This idea that they're acting on behalf of the State, that  
18 they're acting on behalf of creditors. That's an argument  
19 that has been expressly rejected by several jurisdictions  
20 that have addressed that very issue -- the Ninth Circuit,  
21 the Third Circuit, the Sixth Circuit and several federal  
22 district courts that we cite on page 10 and 11 of our  
23 papers. They all stand for the proposition that where a  
24 statutory liquidator is bringing straightforward tort  
25 contract claims against a third party that is not a

1 situation that implicates the State regulation of he  
2 insurance. That is not a situation that threatens  
3 creditors' right or priorities, that is not that kind of  
4 situation. The plaintiff throughout their papers tries to  
5 conflate two very, very different things. They try to  
6 conflate a claim that belongs to creditors with claims  
7 that simply if they recover money there will be more money  
8 in the pot and that will ultimately benefit creditors.

9 The former maybe that is a situation that implicates  
10 State regulation of insurance, but the latter which is  
11 what we have here, again, we cite a dozen cases in our  
12 reply brief that expressly hold that those kinds of  
13 situation, the situations we have here, do not, do not  
14 implicate the kind of creditors' rights and the  
15 liquidator's statutory function. So really, enforcing the  
16 arbitration clause here does not raise or does not  
17 implicate the kind of parade of horrors that the  
18 Plaintiff is raising here.

19 Frankly, the Plaintiff talked about evidence --  
20 that's the last thing I'll mention on this point -- where  
21 is the evidence, where is the evidence of inconsistent  
22 rulings, where is the evidence. There is nothing. There  
23 is not one specific idea that the Plaintiff mentions that  
24 will suffer for having Milliman -- the claims against  
25 Milliman be arbitrated here. This is a situation where

1       again we have a case that is very distinct from the  
2       liquidation proceeding, a claim is not being made against  
3       estate assets. Plaintiff's counsel tries to gloss over  
4       that distinction, but the case law we cited in our reply  
5       brief and our open brief makes a critical distinction  
6       between claims that are made against estate assets and  
7       claims like here, tort contract claims against third  
8       parties. Even the case the Plaintiff cites makes those  
9       distinctions, the Covington case from Ohio. We blocked  
10      that in our reply.

11           So for all those reasons, this idea that enforcing  
12      the arbitration clause is going to make the estate suffer,  
13      make creditors suffer has really roundly been rejected.

14           Unless your Honor has anything else specific, I want  
15      to read one quote because really that argument was  
16      expressly raised before and rejected by the Third Circuit.  
17      I want to leave your Honor with the quote from Sooter  
18      because I think when you look at this, it really shows why  
19      there is no harm. And certainly no harm in arbitrating a  
20      case here. In fact the federal law enures, requires that  
21      the arbitration clause be enforced here.

22           What the Third Circuit in Sooter said rejecting this  
23      very argument is, "This the not a delinquency proceeding  
24      or a proceeding similar to one. Nor is it a suit by the  
25      party seeking access to the estate -- seeking to access



1 the assets of the insurer's estate. What this proceeding  
2 is a suit instituted by the liquidator against there  
3 re-insured's enforce contract rights for insolvent  
4 insurer, which if meritorious will benefit the insurer's  
5 estate. Accordingly, we fail to perceive any potential  
6 for interference with the liquidation proceeding before  
7 the Supreme Court."

8 "If it's true, as the liquidator stresses, that if a  
9 district court or arbitrator should decides the  
10 reinsurance agreement does not cover the disputed  
11 expenses, the estate will be smaller than if that issue  
12 was resolved in the liquidator's favor. But the mere fact  
13 that policy holders may receive less money does not impair  
14 the operation of any provision of New Jersey's Liquidation  
15 Act."

16 For that reason the Third Circuit said there was no  
17 reverse preemption to enforce the arbitration clause.  
18 That rational applies 4 square here. Again, unless your  
19 Honor has any questions.

20 THE COURT: I do not. Thank you. Thank you for  
21 your rebuttal.

22 I appreciate the very thorough briefing. I very  
23 much appreciate the opportunity to see, as you said, Mr.  
24 Byrne said, to scorch the earth here and find the case  
25 law. I think the tricky part about this one, I'll be very

1 candid, I was on a panel at a business court conference a  
2 few years ago where we were talking about arbitration  
3 clauses and the difficulty it's creating with business  
4 courts and other courts because taking things out of the  
5 court's jurisdiction and maybe on occasion that shouldn't  
6 be the case. But I think in this particular case, it  
7 really does squarely rest on is this a situation where  
8 what a receiver is doing is something that's within the  
9 statutory scheme that somehow should be reverse preempting  
10 the arbitration clause or really is this an effort to  
11 increase the estate's coffers to pay creditors and  
12 otherwise.

13 When the dust settles on everything here, as much as  
14 it goes against my personal feelings of we need to have  
15 access to court always, there's some concerns with  
16 over-arbitrating, if you will, these matters.

17 I think in this particular case what's happening here  
18 is the liquidator is enforcing the contract and enforcing  
19 circumstances that at the end of the day do not  
20 invalidate, impair, or supersede, as argued by the  
21 Plaintiff, to any kind of impact of Nevada liquidation. I  
22 think what's happening here does fall squarely within the  
23 need to support the arbitration presumption.

24 I do not believe that it is reverse preempted in the  
25 actual factual circumstances of what is occurring here. I

1 do believe that although it's possible that our Supreme  
2 Court would not follow these other precedents that are set  
3 or persuasive decisions made in these other jurisdictions,  
4 I think it's equally possible they would follow them.  
5 Because over their evolution of time the arbitration  
6 statute and the presumption of arbitration has gotten  
7 stronger, not weaker. Again, much -- somewhat, to  
8 personal concern. But again, just enforcing the laws as I  
9 see them and development of the laws and the underpinnings  
10 of what happened here, I do believe it's appropriate to  
11 grant the motion at this time to allow the arbitration to  
12 be compelled.

13 I don't, again, perceive that it runs afoul of or  
14 otherwise regulatory scheme, because I believe what is  
15 occurring I don't necessarily disagrees with the  
16 opposition that we are dealing with obviously State  
17 statute that was enacted for the purpose of regulating  
18 insurance and that there is a federal statute that may  
19 have been interpreted to not necessarily relate to  
20 insurance, but at the end of the day the application of  
21 the federal statute as it's applying here in this context,  
22 again, I don't believe is related to or invalidated by  
23 State salutatory regulation of insurance.

24 It's not the exact quote you read from the Third  
25 Circuit be any means, but ultimately I'm persuaded that

1       this is a matter that is appropriate to be placed in  
2       arbitration pursuant to the contract clause and efforts to  
3       enforce the contracts with third parties to add to the  
4       coffers. It does not again invalidate or otherwise impact  
5       or statutory liquidation scheme.

6           I'm going to ask Mr. Kattan to prepare the order.  
7       Give Mr. Ferrario an opportunities to see it. Again, my  
8       personal concerns aside about taking it out of our court  
9       system, at the end of the day I think it's appropriate in  
10      this context.

11           MR. FERRARIO: One clarification so I don't have  
12      to bring a motion. In our papers we pointed out some  
13      things were extra contractual that we didn't think would  
14      fall within the scope, such as negligence per se claim  
15      which is on page 47 of our complaint; violation of State  
16      statute.

17           I understand the straight contract. I understand  
18      your ruling in regard to that claim, conspiracy claim. We  
19      don't think it's involved in the scope of that.

20           THE COURT: Here is how I'll answer this, Mr.  
21      Ferrario. To the extent you need a motion for  
22      clarification because it can't be worked out or not agreed  
23      with, we can deal with it then.

24           It's not necessarily driven by all the myriad of  
25      claims filed. It's being driven by who is doing what on

1       behalf of whom and standing in their shoes and how they're  
2       doing it. So I don't know that it matters what the claims  
3       are titled in this circumstance where the liquidator is  
4       seeking to go after assets from third parties to increase  
5       the coffers, and that's really the context of what's  
6       happening regardless of what we call the claims. That's  
7       what I believe is required to go to arbitration. It's not  
8       a situation of something outside of it or inside of it.  
9       It's really who is doing what to whom that drives the  
10      train here.

11               MR. FERRARIO: To the extent we need to bring it  
12      back, we will. Understand.

13               THE COURT: I won't quibble with that in a case  
14      like this. I'm going to require and request respectfully  
15      Mr. Kattan, Mr. Byrne that you give some detail in the  
16      order as to what the court has found persuasive in the  
17      argument so that we have that so that to the extent it's  
18      challenged this could very well be the case that  
19      ultimately sets the law on this issue for the State of  
20      Nevada. I want to make sure we're complete with that.

21               MR. KATTAN: Mr. Ferrario will have every  
22      opportunity to have what would be a joint submission.

23               THE COURT: I'm not sure my articulation was as  
24      well done as perhaps the pleadings were, but if you need a  
25      transcript I'm sure we can take care of that in normal

1 course.

2 MR. PRUNTY: When would you like the order.

3 THE COURT: It should be 10 days, but we'll see  
4 what happens with that transcript.

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CERTIFICATE  
OF  
CERTIFIED COURT REPORTER

\* \* \* \* \*

I, the undersigned certified court reporter in and for the  
State of Nevada, do hereby certify:

That the foregoing proceedings were taken before me at the  
time and place therein set forth; that the testimony and  
all objections made at the time of the proceedings were  
recorded stenographically by me and were thereafter  
transcribed under my direction; that the foregoing is a  
true record of the testimony and of all objections made at  
the time of the proceedings.

A handwritten signature in cursive script, reading "Sharon Howard", followed by a large, stylized circular flourish.

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Sharon Howard  
C.C.R. #745

< Dates >.	16:11.	3:7.
JANUARY 9, 2018	access 4:3, 14:19,	applicable 7:1.
1:29, 3:1.	24:25, 26:15.	application
#745 31:28.	Accordingly	27:20.
.	25:5.	applies 7:8,
.	acknowledge	10:22, 11:12,
< 1 >.	10:7.	13:3, 25:18.
10 22:22, 30:3.	Act 5:18, 11:3,	apply 11:6, 11:7,
11 22:22.	11:5, 11:22.	15:19, 15:22,
12 13:13.	Act. 25:15.	19:20.
14 8:20, 10:10,	acting 12:10,	applying 27:21.
13:22, 17:1.	22:17, 22:18.	appreciate 25:22,
15 3:5.	actions 8:8,	25:23.
16. 13:23.	18:9.	approach 7:17.
.	acts 6:10.	appropriate 27:10,
.	actual 4:23,	28:1, 28:9.
< 2 >.	26:25.	arbitrate 6:19.
25 1:3.	actually 13:15.	arbitrated
.	add 28:3.	23:25.
.	address 18:18,	arbitrating 20:17,
< 3 >.	20:16.	24:19.
3 14:17, 14:23,	addressed 22:20.	arbitrations
19:12, 21:14.	adhesion 5:11.	14:24.
3. 13:23.	admit 19:1.	arbitrator 25:9.
.	advocating	arbitrators 21:9,
.	14:18.	21:14.
< 4 >.	afoul 27:13.	argue 5:24, 13:15,
4 11:1, 18:21,	ago 26:2.	13:17, 14:15,
19:22, 25:18.	agreed 28:22.	14:21.
47 28:15.	agreement 5:5,	argued 17:6,
.	5:9, 5:11, 5:12,	26:20.
.	5:14, 5:22,	arguing 3:14,
< 5 >.	6:23, 6:25, 7:5,	13:5.
5 5:4, 11:1,	7:6, 7:18, 18:1,	argument 4:11,
13:23, 18:21,	25:10.	4:12, 4:16,
19:22.	Ahlers 7:4,	10:13, 11:8,
.	19:18.	11:9, 11:21,
.	Alex 3:18.	12:2, 14:9,
< 6 >.	allow 4:7, 21:6,	15:18, 17:9,
696 10:11.	27:11.	18:17, 21:2,
.	allowed 5:25.	21:15, 22:18,
.	allows 8:8, 8:9.	24:15, 24:23,
< 7 >.	alone 6:11.	29:17.
745 1:35.	although 27:1.	arguments 5:24,
.	altogether 8:17.	6:1, 11:25,
.	ambiguous 5:6.	12:3, 14:8,
< A >.	answer 16:4,	21:3, 22:1.
abide 12:24.	17:17, 28:20.	arise 5:7, 6:20.
absence 19:15.	answers 10:4.	arising 6:23,
absolutely	APPEARANCES 2:1,	20:9.



around 6:15, 12:17, 13:22, 18:22.	20:10.	19:7.
articulation 29:23.	better 20:6.	call 20:3, 20:4, 29:6.
Ascension 22:2.	beyond 6:8, 6:14.	called 8:24.
aside 28:8.	binding 5:21, 12:1, 21:21,	candid 26:1.
aspects 5:1.	22:2, 22:6, 22:11.	capacity 4:14.
assets 12:12, 14:18, 14:20, 16:12, 20:18, 21:16, 24:3, 24:6, 25:1, 29:4.	binds 11:9.	care 29:25.
assume 7:13.	Black 7:7.	cases 7:3, 10:25, 12:17, 12:23, 13:7, 16:6, 18:22, 19:22, 23:11.
assuming 17:17.	Blankenship 2:6, 3:17.	certain 16:25.
AT&T 22:2.	blocked 24:9.	certainly 24:19.
attempt 11:23.	blows 4:14.	CERTIFICATE 31:1.
attorney 21:11.	bolster 11:5.	CERTIFIED 31:3, 31:8.
attorneys 21:10.	bookshelf 19:12.	certify 31:9.
avoid 7:6.	bound 6:25, 16:1.	challenged 29:18.
away 4:2.	box 15:23.	chance 16:9.
.	Brian 2:6, 3:17.	Chapter 10:11.
.	brief 6:4, 7:14, 11:1, 11:2, 11:17, 18:21, 19:22, 19:24, 23:12, 24:5.	choice 15:6, 15:7, 15:22.
< B >.	briefed 3:22.	choose 17:15.
back 19:6, 29:12.	briefing 25:22.	Circuit 7:10, 7:20, 10:25, 12:18, 12:19, 14:10, 22:3, 22:13, 22:20, 22:21, 24:16, 24:22, 25:16, 27:25.
bargained 4:5.	bring 3:13, 8:8, 11:15, 28:12, 29:11.	circumstance 29:3.
base 19:9.	bringing 6:22, 8:17, 11:19, 11:20, 22:24.	circumstances 3:25, 17:18, 26:19, 26:25.
based 9:24, 11:10, 11:11, 12:1.	brings 8:7, 9:15.	cite 7:14, 10:20, 10:21, 13:23, 15:20, 18:19, 18:22, 19:22, 22:22, 23:11.
basic 7:3, 10:13.	broad 5:6.	cited 6:19, 10:25, 12:22, 13:2, 19:25, 24:4.
begs 4:6.	brought 9:16, 9:17, 9:23, 10:2.	cites 6:3, 9:4, 24:8.
behalf 3:18, 4:22, 11:15, 11:20, 22:17, 22:18, 29:1.	building 19:9.	civil 21:11.
behinds 15:2.	business 12:15, 26:1, 26:3.	
belabor 11:17.	Byrne 2:7, 3:11, 4:21, 25:24, 29:15.	
believe 3:15, 18:10, 26:24, 27:1, 27:10, 27:14, 27:22, 29:7.	.	
belongs 23:6.	.	
benefit 17:5, 23:8, 25:4.	< C >.	
Bennett 7:10.	calendar 3:21.	
best 20:4,	California 7:15,	

claim 8:17, 9:23, 13:16, 13:18, 14:17, 23:6, 24:2, 28:14, 28:18.	20:13. commented 20:14. Commissioner 1:10, 3:5. common 9:25, 12:19. companies 14:7. Company 7:11, 7:15, 13:7, 15:4. COMPEL 1:16, 3:21. compelled 27:12. compels 6:19. complaint 5:15, 9:4, 28:15. complete 29:20. comprehensive 14:11. concern 27:8. concerning 6:9. concerns 26:15, 28:8. conference 26:1. conferring 17:24. conflate 23:5, 23:6. conflict 20:6. connect 4:18. consistent 16:11, 16:15. consolidate 9:19. conspiracy 28:18. consulting 5:4. context 10:2, 13:1, 13:3, 13:6, 15:21, 18:20, 19:18, 19:21, 20:9, 27:21, 28:10, 29:5. contract 5:10, 6:23, 7:12, 9:7, 9:8, 9:10, 9:25, 10:18, 12:7, 12:24, 12:25, 15:12, 15:16,	15:25, 18:4, 20:7, 20:8, 21:8, 22:25, 24:7, 25:3, 26:18, 28:2, 28:17. contracts 3:25, 28:3. contractual 6:17, 6:21, 9:3, 9:5, 9:10, 18:1, 18:3, 18:23, 28:13. contrary 10:21. control 13:11, 14:1, 14:2. controls 14:13. coordinate 9:19. Corey 13:10, 16:10. Corp 22:3. correct 16:11, 19:3. cost 20:23, 21:8. costly 14:25, 21:14. costs 21:13, 22:8. Counsel 7:21, 18:20, 22:16, 24:3. country 6:15, 12:17, 12:18, 18:22. COUNTY 1:7. couple 4:25. course 13:17, 20:1, 30:1. Court. 25:7. Courts 6:15, 7:20, 14:7, 17:20, 17:25, 22:22, 26:4. cover 25:10. covers 5:6, 10:1. Covington 24:9. create 8:14. created 8:23.
claimants 12:12, 16:13. claims 6:20, 6:23, 8:7, 8:10, 8:19, 9:25, 10:2, 11:15, 11:19, 11:20, 14:3, 14:21, 15:8, 17:19, 17:24, 22:25, 23:6, 23:24, 24:6, 24:7, 28:25, 29:2, 29:6. clarification 28:11, 28:22. CLARK 1:7. clause 5:3, 6:18, 7:1, 7:19, 8:15, 9:3, 9:5, 9:7, 9:9, 9:10, 10:18, 11:24, 12:7, 17:22, 19:20, 21:19, 21:21, 21:22, 22:2, 22:6, 22:11, 23:16, 24:12, 24:21, 25:17, 26:10, 28:2. clauses 11:10, 11:13, 18:23, 26:3. clear 9:21, 14:12, 18:9. clearly 8:8, 8:9, 13:24. client 15:2. Co-op 5:6. Code 12:11. coffers 26:11, 28:4, 29:5. coin 17:7. comes 20:9. comment 18:14, 20:11, 20:12,		

<p>creating 26:3.  creditors 6:12,  11:16, 11:20,  12:12, 15:4,  16:13, 22:18,  23:3, 23:6,  23:8, 23:14,  24:13, 26:11.  critical 24:5.  custodial 13:25.  .  .  &lt; D &gt;.  dance 13:22.  DATED 1:29.  day 26:19, 27:20,  28:9.  days 30:3.  deal 13:8,  28:23.  dealing 27:16.  dealt 16:6,  21:11.  debate 10:10.  decides 25:9.  decisions 6:3,  27:3.  Defendant 1:21,  2:5, 3:11,  13:13, 21:19.  Defendants 4:22,  4:23, 21:17,  21:19, 21:20,  22:10.  defenses 5:15.  DELANEY 1:26.  delinquency  24:23.  denied 9:20.  Dentons 3:13,  4:22.  Department 8:25,  18:5.  DEPT. 1:3.  Der 4:24.  detail 29:15.  determine 4:7.  development  27:9.  dictated 9:5.</p>	<p>difference 9:22.  different 13:1,  18:16, 23:5.  differently 9:9,  18:2.  difficulty 26:3.  direction 31:15.  disagrees 27:15.  discovery 21:5,  21:12, 21:13.  discretion 17:13,  17:15.  discussion 3:24.  dismissed 10:24.  dispute 5:1,  13:21.  disputed 25:10.  disputes 5:7.  Dissipate 14:20,  20:18.  dissipating  21:16.  dissipation  14:18.  distinct 24:1.  distinction 24:4,  24:5.  distinctions  24:9.  District 1:6,  1:27, 7:14,  22:22, 25:9.  doing 12:13, 15:2,  15:13, 26:8,  28:25, 29:2,  29:9.  Donald 2:3, 3:8.  done 29:24.  down 15:21,  20:9.  dozen 18:22,  19:21, 23:11.  driven 28:24,  28:25.  drives 29:9.  duress 5:12.  during 21:13.  dust 26:13.  .  .</p>	<p>&lt; E &gt;.  early 14:19.  earth 16:5,  25:24.  effective 16:13,  20:23, 21:8.  efficient 14:16,  14:22, 14:24,  16:12, 20:24,  21:8.  effort 5:24,  26:10.  efforts 20:7,  28:2.  either 5:15.  elephant 7:22.  elsewhere 4:9,  17:16.  enacted 27:17.  encapsulated  10:12.  end 26:19, 27:20,  28:9.  enforce 7:5, 7:12,  7:17, 10:17,  11:23, 12:6,  12:24, 15:7,  15:25, 18:5,  19:19, 20:8,  25:3, 25:17,  28:3.  enforced 18:23,  24:21.  enforcement 9:8,  17:22.  enforcing 23:15,  24:11, 26:18,  27:8.  engagements 5:7.  enough 19:8.  entered 5:9,  13:10.  enures 17:4,  24:20.  equally 7:8,  27:4.  ESQ 2:2, 2:3, 2:5,  2:6, 2:7.  estate 6:12,  12:13, 13:19,</p>
--	---	--

<p>14:18, 14:21, 21:16, 24:3, 24:6, 24:12, 24:25, 25:1, 25:5, 25:11, 26:11. evade 6:1, 7:18, 19:19. evaded 6:17. everyone 15:5, 19:8. everything 26:13. evidence 5:14, 23:19, 23:21, 23:22. evidentiary 14:22. evolution 27:5. exact 27:24. exactly 21:6. exclusive 7:24, 8:6, 8:23, 9:13, 10:1, 14:1, 16:24. exclusively 13:20. exempts 10:23. exist 5:22. exists 7:23. expenses 25:11. expensive 22:8. expressly 22:19, 23:12, 24:16. extent 15:3, 28:21, 29:11, 29:17. extra 28:13. . . &lt; F &gt;. FAA 5:18, 5:25. fact 6:9, 9:18, 11:14, 11:15, 14:8, 24:20, 25:12. factual 26:25. fail 25:5. failed 13:7, 15:4.</p>	<p>fall 26:22, 28:14. far 21:5, 21:8, 21:13. favor 11:7, 25:12. Federal 5:17, 8:14, 9:1, 9:2, 9:4, 9:6, 9:11, 11:12, 17:21, 17:23, 17:24, 17:25, 22:21, 24:20, 27:18, 27:21. federal/state 9:8. feelings 26:14. Ferguson 11:3, 11:5, 11:22, 14:12. Ferrairo 18:14. Ferrario 2:2, 3:8, 12:6, 12:9, 13:1, 13:15, 16:8, 28:7, 28:11, 28:21, 29:11, 29:21. few 26:2. FIB 19:9. Fifth 12:18. file 9:6, 9:11. filed 28:25. find 25:24. Fine 20:20. Fire 7:11. Firm 3:14. First 5:3, 18:19, 19:6, 20:16. Flansburg 3:18. focus 4:25, 16:23. focuses 12:22, 17:1. folks 20:10. follow 27:2, 27:4. footnote 15:20. footnoted 15:17. forcing 16:14. foregoing 31:11,</p>	<p>31:15. form 9:3, 9:5. former 23:9. forth 31:12. forums 16:15. found 5:4, 13:12, 29:16. Frankly 20:21, 21:16, 23:19. fraud 5:12. function 23:15. . . &lt; G &gt;. general 4:10, 8:2, 11:5, 11:6, 11:10, 11:25, 21:25, 22:4. generally 6:10. gets 13:16. getting 7:21. Give 10:8, 12:5, 17:2, 28:7, 29:15. gives 11:4, 17:12, 18:6. gloss 24:3. gotten 27:6. governing 5:19. government 17:25. grand 11:10. grant 27:11. Greenberg 21:10. grounds 5:13, 5:20. grown 19:13. guy 19:10. . . &lt; H &gt;. hand 12:7, 21:1. hands 8:16. happened 27:10. happening 8:4, 26:17, 26:22, 29:6. happens 5:23, 30:4. happy 8:5, 16:21,</p>
--	--	---

18:16.	21:1, 21:15,	25:1, 25:4.
harm 24:19.	21:17, 22:7,	insurers 6:21.
He'll 3:14.	22:17, 23:23,	integrated 14:6.
head 13:4, 16:18,	24:11.	intended 10:10.
16:19.	impact 18:18,	interesting 12:14,
Health 5:5, 8:25,	26:21, 28:4.	13:12, 14:14.
18:5.	impair 25:13,	interference
hear 14:17.	26:20.	25:6.
Heijde 4:24.	implicate 23:14,	internally 21:2.
held 7:11,	23:17.	interpreted
20:22.	implicates 23:1,	27:19.
hereby 13:24,	23:9.	invalidate 26:20,
31:9.	important 3:23,	28:4.
herring 14:10.	5:17, 8:16,	invalidated
herself 9:4.	22:14.	27:22.
HHS 9:10.	inappropriate	involved 20:10,
high 8:1.	21:4.	28:19.
highlight 4:17,	INC. 1:19.	issue 3:23, 5:3,
10:14, 10:16.	including 6:25,	12:22, 13:3,
hit 8:1, 13:4.	7:1, 19:17,	13:8, 21:18,
hold 23:12.	22:12.	22:9, 22:20,
holders 6:12,	inconsistent 7:17,	25:11, 29:19.
15:5, 16:14,	21:2, 23:21.	.
25:13.	increase 26:11,	.
holds 7:16.	29:4.	< J >.
Homes 7:4,	Indemnity 7:15.	Jersey 25:14.
19:18.	indisputably	John 4:23.
Honor 3:10, 4:20,	6:22.	joint 29:22.
5:2, 6:6, 10:4,	individual 4:23.	Judge 1:27, 13:10,
13:2, 13:18,	industry 15:14.	16:10.
14:4, 15:9,	initiate 21:21.	jumping 15:13.
16:9, 16:17,	injunction 10:9.	juris 20:25.
21:10, 24:14,	inside 29:8.	jurisdiction 7:24,
24:17, 25:19.	insolvent 6:10,	8:6, 8:14, 8:23,
HONORABLE 1:26.	6:11, 6:21, 7:2,	9:2, 9:13, 10:1,
hope 10:4.	7:18, 25:3.	13:20, 16:24,
horribles 23:17.	instances 6:17.	17:24, 18:3,
Horton 20:23.	instituted 25:2.	18:24, 19:6,
Howard 1:35,	Insurance 1:11,	19:15, 26:5.
31:27.	3:6, 6:11, 7:8,	jurisdictions
Human 8:25,	7:11, 12:11,	22:12, 22:19,
18:5.	12:15, 13:7,	27:3.
.	14:6, 15:14,	Justin 2:5, 3:13,
.	19:21, 23:2,	4:21.
< I >.	23:10, 27:18,	.
idea 7:17, 9:13,	27:20, 27:23.	.
10:24, 11:3,	Insuremonkey	< K >.
11:5, 11:18,	3:18.	KATHLEEN 1:26.
11:22, 18:6,	insurer 6:10, 7:2,	KATTAN 2:5, 3:13,
18:19, 20:16,	7:12, 7:18,	4:19, 4:20,

4:21, 8:5,	24:17.	13:9, 13:11,
10:16, 16:21,	left 16:8.	13:13, 13:23,
17:8, 18:15,	legal 8:10, 17:16,	15:1, 17:10,
19:3, 19:14,	20:14.	18:21, 21:18,
20:13, 20:19,	less 17:23,	24:18.
28:6, 29:15,	25:13.	lot 19:16.
29:21.	Letter 3:13,	Louisiana 12:18.
Kentucky 12:18.	7:7.	.
kind 17:12, 17:14,	liabilities	.
21:25, 23:3,	7:13.	< M >.
23:14, 23:17,	Liberty 7:10.	main 21:3.
26:21.	library 19:9.	mandating 9:8,
kinds 23:12.	lien 13:25.	17:22.
knockout 22:1.	limitation	Mark 2:2, 3:8.
knocks 15:22.	18:25.	marshal 12:12,
knows 8:22,	limited 21:5.	16:12.
21:10.	Liquidation 9:14,	Mary 4:24.
.	9:16, 9:18,	matter 4:8, 7:24,
.	9:19, 9:22,	28:1.
< L >.	10:3, 13:6,	matters 26:16,
lack 15:10,	19:17, 19:21,	29:2.
20:6.	24:2, 25:6,	Mccarren 11:3,
laid 7:3.	25:14, 26:21,	11:5, 11:22,
land 8:2.	28:5.	14:12.
language 5:25,	liquidator 6:7,	mean 10:11.
8:12, 8:13,	6:10, 6:14,	means 11:4,
10:2, 10:9,	6:16, 6:19,	27:25.
17:10, 17:11.	6:20, 6:25,	meant 18:20.
LAS 3:1.	7:11, 8:7, 8:8,	mention 15:23,
last 18:18,	8:10, 8:16,	23:20.
23:20.	9:23, 10:22,	mentioned 10:17.
latter 23:10.	10:23, 17:12,	mentions 23:23.
Law 3:13, 5:20,	17:14, 17:15,	mere 25:12.
6:9, 6:15, 8:14,	17:19, 18:7,	meritorious
9:2, 9:8, 9:25,	22:24, 23:15,	25:4.
10:21, 11:9,	25:2, 25:8,	Milliman 1:19,
11:11, 11:12,	25:12, 26:18,	3:6, 3:11, 4:23,
12:21, 14:12,	29:3.	5:5, 5:8, 6:3,
15:19, 15:20,	liquidators 7:9,	6:18, 6:24,
15:22, 16:2,	11:9, 11:13,	9:16, 11:8,
17:21, 17:22,	18:24.	11:23, 12:14,
17:23, 19:4,	list 13:25.	12:20, 15:9,
19:8, 19:17,	litigate 8:18,	15:18, 18:1,
19:25, 24:4,	15:8, 16:15,	23:24, 23:25.
24:20, 25:25,	17:16.	minute 13:15.
29:19.	litigation 8:11,	misapprehend
laws 16:1, 27:8,	20:24.	4:17.
27:9.	little 15:18.	money 23:7,
lay 8:2.	LLP 4:22.	25:13.
leave 10:7,	Look 12:17, 13:7,	morning 3:10.

<p>MOTION 1:16, 3:12,  3:14, 3:21, 5:1,  5:16, 9:20,  13:13, 27:11,  28:12, 28:21.  moved 9:18,  19:6.  multi-defendant  21:12.  Multiple 21:18,  22:10, 22:12.  myriad 28:24.  .  .  &lt; N &gt;.  NAA 5:25.  nail 13:4.  name 4:21.  National 7:10,  7:15.  necessarily 17:5,  27:15, 27:19,  28:24.  necessary 8:12,  8:13.  need 8:3, 26:14,  26:23, 28:21,  29:11, 29:24.  needs 20:10.  negligence  28:14.  Nevada 1:7, 1:10,  3:1, 3:5, 5:5,  5:18, 7:4, 8:9,  8:18, 9:1, 9:2,  9:6, 9:11,  12:11, 15:14,  17:19, 18:25,  19:2, 19:4,  19:11, 19:15,  19:16, 20:21,  20:22, 20:25,  21:7, 26:21,  29:20, 31:9.  New 3:12, 15:19,  15:20, 16:2,  25:14.  NHC 5:5, 5:8,  8:19, 18:2,  18:5.</p>	<p>Ninth 7:10, 7:19,  10:25, 22:3,  22:13, 22:20.  NO. 1:3, 1:35.  NO.A-17-760558-B  1:2.  non-binding  20:1.  non-signatory  10:24, 11:14,  11:18, 12:22.  none 19:4.  nonsense 15:25.  Nor 17:25,  24:24.  normal 21:20,  29:25.  note 19:5.  noted 7:16.  nothing 17:11,  18:8, 19:1,  23:22.  noticed 19:14.  notion 6:16.  nuances 4:12.  Number 9:1, 10:19,  14:23.  .  .  &lt; O &gt;.  objections 31:13,  31:16.  obligation 15:7.  obviously 4:11,  27:16.  occasion 26:5.  occurring 26:25,  27:15.  Ohio 12:18,  24:9.  Okay 12:20, 13:7,  13:14, 14:3,  15:6.  old 19:8.  on-point 6:3,  19:4.  One 4:1, 6:1,  7:22, 9:1, 9:15,  10:16, 10:19,  10:20, 12:7,</p>	<p>13:2, 16:1,  17:20, 21:1,  21:3, 21:19,  23:23, 24:15,  25:25, 28:11.  one. 24:24.  open 24:5.  opening 6:4,  6:6.  operation 25:14.  opinion 3:23,  20:25.  opportunities  28:7.  opportunity 18:13,  25:23, 29:22.  opposition 5:16,  27:16.  option 17:2.  order 7:23, 8:7,  8:13, 8:19,  8:20, 10:1,  10:9, 13:9,  13:21, 14:5,  16:10, 16:24,  17:10, 17:11,  18:8, 28:6,  29:16, 30:2.  otherwise 5:21,  8:15, 20:22,  21:21, 22:5,  26:12, 27:14,  28:4.  ought 16:1.  outside 8:9, 13:5,  17:19, 29:8.  over-arbitrating  26:16.  overall 15:1.  oversees 9:14.  overstates 9:14.  own 4:6, 18:9,  21:15.  .  .  &lt; P &gt;.  Page 3:5, 13:13,  13:23, 22:22,  28:15.  pages 11:1, 18:21,</p>
--	--	---

19:22.	22:15.	24:23, 24:24,
panel 14:23,	play 10:12.	25:1, 25:6.
26:1.	pleading 13:24.	proceedings 8:11,
papers 5:16, 8:24,	pleadings 29:24.	17:16, 31:11,
22:16, 22:23,	please 3:7.	31:13, 31:17.
23:4, 28:12.	point 10:17,	process 21:9.
parade 23:17.	10:19, 11:17,	pronouncements
paragraph 5:4,	12:1, 19:24,	11:11, 22:5.
8:20, 13:23.	23:20.	property 13:10,
part 9:17, 20:8,	pointed 28:12.	13:17, 13:18,
25:25.	Points 7:15,	13:19, 13:24,
particular 26:6,	8:1.	14:2.
26:17.	policy 6:11, 11:6,	proposition 12:23,
parties 4:5, 4:13,	11:11, 11:25,	19:19, 22:23.
5:10, 16:5,	15:5, 16:14,	prosecute 8:10.
24:8, 28:3,	16:16, 22:1,	protect 12:11,
29:4.	22:5, 25:13.	16:13.
parts 16:15.	portions 7:6.	proves 21:15.
party 5:21, 6:22,	portray 6:7.	provide 5:14.
7:5, 9:24,	position 19:17.	provision 7:7,
22:25, 24:25.	possible 27:1,	15:15, 18:1,
Pat 3:11.	27:4.	18:3, 25:14.
PATRICK 2:7.	pot 23:8.	provisions 4:1,
pay 14:17, 21:9,	potential 25:5.	8:19, 10:11.
26:11.	practical 20:15.	prudence 20:25.
paying 21:14.	practice 18:9.	PRUNTY 2:3, 3:8,
people 14:17.	practiced 19:7.	3:10, 30:2.
per 28:14.	pre-insolvency	public 16:16,
perceive 25:5,	9:25.	22:1, 22:5.
27:13.	precedents 12:1,	purported 7:23.
perceived 7:13.	27:2.	purports 17:1.
performed 6:24,	precluded 8:17.	purpose 16:16,
15:12.	preempted 26:24.	27:17.
perhaps 29:24.	preempting 26:9.	purposes 20:5.
personal 26:14,	preemption 14:9,	pursuant 6:24,
27:8, 28:8.	25:17.	28:2.
perspective 20:14,	prepare 28:6.	pursue 8:19,
20:15.	preparing 13:12.	14:21, 17:19.
persuaded 27:25.	presumption 11:7,	pushes 11:3.
persuasion 20:1.	26:23, 27:6.	puts 6:14.
persuasive 19:25,	principles 15:2.	putting 19:14.
27:3, 29:16.	priorities 23:3.	.
place 12:19, 13:9,	probably 15:11.	.
14:4, 16:10,	procedural	< Q >.
31:12.	15:24.	Quackenbush
placed 13:24,	proceed 4:11.	22:4.
28:1.	proceeding 4:13,	question 10:5,
plain 17:10,	4:14, 9:17,	17:18, 18:11,
17:11.	9:18, 9:22,	18:12, 18:15.
Plaintiffs	10:3, 24:2,	questions 16:4,



<p>16:9, 16:20, 25:19. quibble 29:13. quote 7:5, 7:11, 8:10, 17:16, 24:15, 24:17, 27:24. . . &lt; R &gt;. raise 5:15, 23:16. raised 5:2, 24:16. raises 5:13, 6:2, 11:4, 21:3. raising 5:23, 23:18. rather 8:11. rational 25:18. re-insured 25:3. reach 6:8, 6:14. read 13:21, 13:22, 24:15, 27:24. real 21:12. Really 11:24, 13:3, 13:16, 17:4, 19:16, 20:3, 23:15, 24:13, 24:15, 24:18, 26:7, 26:10, 29:5, 29:9. reason 17:21, 17:25, 19:20, 21:20, 21:22, 22:11, 25:16. reasons 22:7, 24:11. rebuttal 10:8, 10:15, 12:4, 12:5, 25:21. receive 25:13. receiver 12:10, 13:19, 13:25, 17:2, 17:5, 26:8. receivership 8:24, 16:25. recognition</p>	<p>17:3. recognize 22:14. reconcile 7:25. record 31:16. recorded 31:14. recover 23:7. red 14:9. referring 8:20. regard 28:18. regardless 29:6. regulating 27:17. regulation 14:6, 23:1, 23:10, 27:23. regulatory 14:11, 27:14. reinsurance 25:10. rejected 6:2, 6:16, 7:19, 22:19, 24:13, 24:16. rejecting 24:22. relate 5:7, 6:20, 27:19. related 9:7, 27:22. relationship 6:21. relay 18:21. relevant 5:19. relying 16:24. remarks 6:6. Remember 15:18, 19:7, 19:8. repeatedly 6:16. reply 6:4, 7:14, 11:1, 19:22, 23:12, 24:4, 24:10. REPORTED 1:35. REPORTER 31:3, 31:8. REPORTER'S 1:14. Reporters 19:11. request 29:14. require 29:14. required 9:11, 29:7.</p>	<p>requires 19:2, 24:20. resolved 25:12. respectfully 29:14. respond 12:3, 18:13. response 10:8. responses 17:8. rest 26:7. reverse 14:9, 25:17, 26:9, 26:24. review 4:7. revoking 5:13. rid 22:11. rights 15:4, 23:14, 25:3. Rivlin 3:18. room 7:23. roundly 24:13. Rule 7:3, 7:7, 10:17, 10:22, 10:23. ruling 28:18. rulings 23:22. ruminations 4:10. run 21:13, 22:8. runs 27:13. Ryland 7:4, 19:18. . . &lt; S &gt;. salutatory 27:23. sanctity 17:23. saying 6:6, 21:7. says 13:24, 16:2, 16:24, 16:25. scheme 14:5, 14:11, 26:9, 27:14, 28:5. Schwartz 3:17. scope 28:14, 28:19. scorch 25:24. scorched 16:5.</p>
--	---	---

se 28:14.	23:13.	27:6, 27:17,
Second 17:14.	Sixth 22:21.	27:18, 27:21,
secret 12:16.	skipped 15:18.	28:16.
Sections 13:22.	smaller 25:11.	statutes 18:25,
secured 5:12.	sole 17:14.	20:5.
seeking 24:25,	somehow 17:3,	statutorily 7:8.
29:4.	20:16, 26:9.	statutory 6:7,
seem 12:21.	someone 4:2.	10:23, 11:9,
selection 9:3,	Sometimes 4:4,	14:5, 18:24,
9:5, 18:3.	4:6, 19:15.	22:24, 23:15,
serves 20:4.	somewhat 27:7.	26:9, 28:5.
Services 5:4,	Sooter 24:17,	stay 17:4.
8:25, 18:6.	24:22.	stenographically
set 4:12, 16:1,	sophisticated 4:4,	31:14.
16:2, 27:2,	5:10, 12:14.	stepping 15:3.
31:12.	sophistication	straight 28:17.
sets 29:19.	15:11.	straightforward
settled 6:8.	sort 4:11, 8:2,	9:24, 22:24.
settlement 6:15.	14:9, 22:4.	stresses 25:8.
settles 26:13.	Southern 7:14.	stronger 27:7.
several 5:23, 6:3,	Southland 22:3.	struck 15:21.
7:20, 22:19.	specific 11:11,	stuff 19:11.
severe 22:21.	11:12, 11:25,	sub-parts 17:1.
Sharon 1:35,	23:23, 24:14.	submission
31:27.	square 25:18.	29:22.
shelves 19:12.	squarely 6:2,	Subsection
shoes 11:19, 15:3,	26:7, 26:22.	10:10.
29:1.	stacks 19:10.	substantive
shouldn't 4:3,	stand 11:19,	15:24.
15:11, 26:5.	12:23, 19:23,	sue 7:5.
shows 11:8, 15:10,	22:23.	sued 8:25.
24:18.	standing 29:1.	suffer 23:24,
Shreve 4:23.	stands 10:21,	24:12, 24:13.
side 8:18, 11:8,	19:18.	suing 12:24.
17:6, 19:5.	start 4:25, 13:8,	suit 9:6, 24:24,
similar 18:25,	16:21, 20:19.	25:2.
24:24.	started 4:16,	suited 20:10.
simply 6:13,	13:9, 16:10.	supercedes
21:14, 23:7.	State 8:9, 8:11,	11:23.
simultaneously	8:18, 9:2,	supersede 8:14,
7:6, 7:18.	11:12, 14:12,	26:20.
single 6:1, 10:20,	17:19, 17:21,	support 14:22,
18:19.	22:17, 23:1,	17:6, 26:23.
situation 8:17,	23:10, 27:16,	supports 19:17.
20:5, 23:1,	27:23, 28:15,	suppose 21:9.
23:2, 23:4,	29:19, 31:9.	Supreme 5:20, 7:4,
23:9, 23:13,	states 19:23.	20:21, 20:22,
23:25, 26:7,	status 6:14.	20:25, 21:7,
29:8.	statute 15:6,	21:24, 21:25,
situations 4:4,	16:11, 16:25,	22:12, 25:7,

27:1.	traditionally	unilateral
surprise 12:20.	20:24.	17:13.
surprised 15:11,	train 29:10.	unique 20:8.
15:15.	TRAN 1:1.	Unless 18:11,
system 4:8,	transcribed	19:23, 24:14,
28:9.	31:15.	25:18.
.	TRANSCRIPT 1:14,	upheld 22:13.
.	29:25, 30:4.	.
< T >.	Traurig 21:11.	.
talked 23:19.	treated 9:9,	< V >.
talks 12:17,	17:23, 18:2.	valid 5:21, 8:15,
14:8.	tricky 25:25.	21:21, 22:1,
tap 13:22.	tries 6:7, 23:4,	22:6.
technically	24:3.	Van 4:24.
11:14.	true 6:13, 22:8,	vastly 9:13.
Tenth 12:18,	22:9, 25:8,	VEGAS 3:1.
14:10.	31:16.	venue 18:3.
terms 11:8,	try 9:19, 21:3,	vigilant 4:2.
15:1.	23:5.	vindicating
testimony 31:12,	trying 7:17, 12:6,	15:4.
31:16.	12:10, 12:11,	violation 28:15.
thereafter	12:12, 18:4.	virtue 6:9.
31:14.	TUESDAY 1:29,	visiting 19:6.
therein 31:12.	3:1.	vitiate 5:21,
Third 6:21, 9:24,	two 9:3, 10:19,	8:15, 10:18,
22:21, 22:25,	16:5, 17:8,	12:7, 15:15,
24:7, 24:16,	23:5.	21:22, 22:5.
24:22, 25:16,	typical 6:8.	vitiates 12:1.
27:24, 28:3,	Typically 14:24.	vs 1:16, 3:6, 7:4,
29:4.	.	7:10, 7:15,
thorough 3:24,	.	19:18, 22:2.
16:7, 25:22.	< U >.	.
thoroughly 3:22.	ultimate 4:7.	.
though 12:21.	ultimately 23:8,	< W >.
thoughts 16:19.	27:25, 29:19.	wait 10:15.
thread 6:18.	unconscionable	walked 19:10.
threatens 23:2.	5:11.	walking 19:7.
throughout 22:16,	underlying 7:3.	wanted 10:6,
23:4.	underpinnings	15:19, 18:13.
tie 8:16.	27:9.	wants 7:12.
titled 29:3.	undersigned	ways 17:2.
today 3:19, 9:15,	31:8.	weaker 27:7.
21:3.	Understand 12:15,	weather 3:16.
together 19:14.	28:17, 29:12.	Welcome 3:20.
topic 18:16.	undertaken 20:8.	whatever 18:7.
tort 6:23, 9:25,	undisputed 5:9.	wherever 16:21.
22:24, 24:7.	unfair 15:10.	whom 29:1, 29:9.
totality 12:25.	unfettered	will 12:3, 13:19,
touched 14:19.	17:12.	23:7, 23:8,
touching 8:3.	unifying 6:18.	23:24, 25:4,

25:11, 26:16,  
 29:12, 29:21.  
 wind 4:14.  
 within 4:8, 13:10,  
 26:8, 26:22,  
 28:14.  
 without 13:21,  
 14:21.  
 withstanding 5:24,  
 11:13, 11:15.  
 word 20:7.  
 wording 5:19.  
 work 6:24, 11:18,  
 11:21, 11:24,  
 15:6.  
 worked 28:22.  
 works 12:16.  
 written 21:7.  
 .  
 .  
 < Y >.  
 years 26:2.  
 York 3:12, 15:19,  
 15:20, 16:2.

1 TRAN  
2 CASE NO. A-17-760558-B  
3 DEPT. NO. 25  
4

5 DISTRICT COURT  
6 CLARK COUNTY, NEVADA

7 \* \* \* \* \*

8  
9 NEVADA COMMISSIONER OF )  
10 INSURANCE, )

11 Plaintiff, )

12 vs. )

13 MILLIMAN INC., )

14 Defendant. )  
15 \_\_\_\_\_ )

REPORTER'S TRANSCRIPT  
OF  
MOTION TO COMPEL ARBITRATION

16  
17  
18 BEFORE THE HONORABLE KATHLEEN DELANEY  
19 DISTRICT COURT JUDGE

20 DATED: TUESDAY, JANUARY 9, 2018  
21  
22  
23  
24

25 REPORTED BY: SHARON HOWARD, C.C.R. NO. 745

## 1 APPEARANCES:

2 For the Plaintiff:

MARK FERRARIO, ESQ.

3 DONALD PRUNTY, ESQ.

4  
5 For the Defendant:

JUSTIN KATTAN, ESQ.

6 BRIAN BLANKENSHIP, ESQ.

7 PATRICK BYRNE, ESQ.

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1 LAS VEGAS, NEVADA; TUESDAY, JANUARY 9, 2018

2 P R O C E E D I N G S

3 \* \* \* \* \*

4  
5 THE COURT: Page 15, Nevada Commissioner of  
6 Insurance vs. Milliman.

7 Let's have appearances, please.

8 MR. FERRARIO: Mark Ferrario and Donald Prunty  
9 for Plaintiff.

10 MR. PRUNTY: Good morning, your Honor.

11 MR. BYRNE: Pat Byrne on behalf of Defendant,  
12 Milliman. It's our motion. With me from New York, he  
13 said he didn't bring the weather, is Justin Kattan, from  
14 the Dentons Law Firm. He'll be arguing the motion.

15 THE COURT: I don't believe that he about the  
16 weather.

17 MR. BLANKENSHIP: Brian Blankenship from Schwartz  
18 Flansburg on behalf of InsureMonkey and Alex Rivlin  
19 today.

20 THE COURT: Thank you. Welcome to all of you.

21 This is on calendar I see for a motion to compel  
22 arbitration. It's been very well and thoroughly briefed.  
23 This is always an important issue in my opinion to have a  
24 thorough discussion about because, well, we all know those  
25 circumstances, there are contracts and contracts have

1 provisions. One of the things that I think the court  
2 always must be vigilant on is not taking away someone's  
3 right to or access to the court when that shouldn't be the  
4 case. And sometimes these situations are between  
5 sophisticated parties and are what they bargained for and  
6 this is where they go. Sometimes they are not. But each  
7 case begs its own ultimate review to determine if the  
8 court should allow the matter to not be within the court  
9 system and to be elsewhere.

10 Just with those general ruminations we're going  
11 to obviously proceed with argument, but I do, sort of,  
12 want to set it up that way. We do have nuances here as to  
13 who the parties are that are proceeding and in what  
14 capacity they're proceeding, which way the wind blows on  
15 that.

16 Let's get started with any argument that you want to  
17 highlight that makes sure the court didn't misapprehend or  
18 not connect to.

19 Mr. Kattan.

20 MR. KATTAN: Thank you, your Honor.

21 As Mr. Byrne said, my name is Justin Kattan.  
22 I'm here from Dentons US, LLP, on behalf of the  
23 Defendants, Milliman, and the individual actuarial  
24 Defendants John Shreve and Mary Van Der Heijde.

25 To start with I want to focus on a couple of the



1 aspects of this motion that are not in dispute, and they  
2 go to some of the things you just raised, your Honor.

3 First of all, the arbitration clause at issue here,  
4 which is found at paragraph 5 of the consulting services  
5 agreement by and between Milliman and NHC -- Nevada Health  
6 Co-op -- is both broad and ambiguous. It covers all  
7 disputes that relate to or arise from the engagement of  
8 Milliman by NHC.

9 It's also undisputed that this agreement was entered  
10 into by sophisticated parties. It is not a contract of  
11 adhesion. It's not an unconscionable agreement. It's not  
12 an agreement secured by fraud or duress, nor any other  
13 grounds the Plaintiff raises in this case for revoking the  
14 agreement. Plaintiff does not provide any evidence of or  
15 raise any of these defenses, either in her complaint or in  
16 her opposition papers on this motion.

17 That's important because under both the Federal  
18 Arbitration Act, the FAA, and the Nevada Arbitration Act,  
19 which has the same relevant wording, as well as the  
20 governing US Supreme Court case law, those are the grounds  
21 on which a party can vitiate an otherwise valid, binding  
22 arbitration agreement. They don't exist here.

23 So what happens here is Plaintiff is raising several  
24 arguments in an effort to argue why, notwithstanding the  
25 plain language of the FAA and the NAA, she should be

1       allowed to evade arbitration here. Every single one of  
2       the arguments that Plaintiff raises here has been squarely  
3       rejected by several on-point decisions that Milliman cites  
4       both in its opening brief as well as in its reply.

5           The Plaintiff -- and I think this goes to what you  
6       were just saying, your Honor, in your opening remarks.  
7       The Plaintiff tries to portray a statutory liquidator as  
8       beyond the reach of a typical -- then the typical settled  
9       law concerning arbitration by virtue of the fact that a  
10      liquidator generally acts not for the benefit of the  
11      insolvent insurer alone, but also for all of the insolvent  
12      insurers, policy holders, creditors, and other estate  
13      holders. But it is simply not true. It is simply not  
14      true that the liquidator status puts her beyond the reach  
15      of the settlement arbitration law. Courts around the  
16      country have repeatedly rejected the notion that the  
17      liquidator can in all instances evaded a contractual  
18      arbitration clause. And there is a unified thread in the  
19      case law that Milliman has cited that compels a liquidator  
20      to arbitrate. And that is when a liquidator's claims  
21      arise from and relate to an insolvent insurer's  
22      contractual relationship with a third party. And here,  
23      Plaintiff indisputably is bringing contract and tort  
24      claims arising for the agreement and the work that  
25      Milliman performed pursuant to it. The liquidator is

1 bound to that agreement, including any applicable  
2 arbitration clause just like the insolvent insurer would  
3 have been.

4 The basic rule underlying those cases, it was laid  
5 out by the Nevada Supreme Court in Ahlers vs. Ryland  
6 Homes, that a party cannot sue to enforce an agreement  
7 and, quote, simultaneously avoid other portions of the  
8 agreement, such as the arbitration provision. And that  
9 Black Letter Rule applies equally to statutorily appointed  
10 insurance liquidators.

11 The Ninth Circuit in Bennett vs. Liberty National  
12 Fire Insurance Company held, quote, "if the liquidator  
13 wants to enforce the insurer's rights under its contract,  
14 she must also assume its perceived liabilities."

15 In our reply brief we also cite a Southern District  
16 of California case, Point vs. National Indemnity Company,  
17 holds the same thing. In that case the court noted that  
18 the inconsistent approach, the idea of trying to enforce  
19 an insolvent insurer's agreement and simultaneously evade  
20 the arbitration clause has been rejected by the Ninth  
21 Circuit and several other courts.

22 THE COURT: Counsel, I'm sure you're getting  
23 there, but one of the things that is maybe the elephant in  
24 the room is the order that exists in this case that  
25 purported to say that the matter had to be the exclusive

1 jurisdiction of the court and how does that reconcile with  
2 this.

3 I don't want you to not hit all your high points, but  
4 talking about sort of the general lay of the land, we  
5 still need to make sure we are touching upon what's  
6 happening.

7 MR. KATTAN: I'm happy to get to that now.

8 So simply put, there is no exclusive  
9 jurisdiction over any and all claims that the liquidator  
10 brings. The order clearly, clearly allows the liquidator  
11 to bring actions outside of Nevada State Court, and  
12 clearly allows the liquidator to prosecute claims, quote,  
13 "in other legal proceedings, rather than State court  
14 litigation."

15 Why is that language necessary. That language is  
16 necessary because the order cannot create jurisdiction or  
17 supersede federal law or vitiate an otherwise valid  
18 arbitration clause. It's important not to tie the  
19 liquidator's hands, so she is precluded from bringing a  
20 claim altogether in a situation where she has to litigate  
21 outside a Nevada state court in order to pursue NHC's  
22 claims. The provisions of that order I was referring to  
23 is paragraph 14, 14 (a), and 14 (h)

24 The Plaintiff knows this. The Plaintiff knows that  
25 there is no exclusive jurisdiction created by the -- what

1 we've called in the papers, the receivership court.  
2 Plaintiff has sued the US Department of Health and Human  
3 Services in Nevada federal court because, number one,  
4 there is no jurisdiction in Nevada state court under  
5 federal law, and two, a contractual form selection clause.  
6 The Plaintiff herself cites it in her federal complaint,  
7 that there is a contractual form selection clause that  
8 dictated the Plaintiff had to file that suit in Nevada  
9 federal court.

10 A contractual arbitration clause and the related  
11 federal and state law mandating the enforcement of that  
12 contractual arbitration clause should be treated no  
13 differently then the contractual clause in the contract  
14 between HHS and the Plaintiff that required her to file in  
15 Nevada federal court.

16 The Plaintiff's idea of exclusive jurisdiction vastly  
17 overstates what the liquidation court oversees. This  
18 case, the one that brings us here today, the one that  
19 Plaintiff brought against Milliman, is not a liquidation  
20 proceeding and it was not brought as part of the  
21 liquidation proceeding. In fact, the Plaintiff moved to  
22 try to coordinate and consolidate it with the liquidation  
23 proceedings and that motion was denied.

24 What this is, this is a -- there is a clear  
25 difference between a liquidation proceeding and what we

1 have here, which is a claim brought by a liquidator  
2 against a third party based on straightforward,  
3 pre-insolvency common law tort and contract claims. What  
4 the order covers in its exclusive jurisdiction language  
5 are claims brought in the context of a liquidation  
6 proceeding.

7 So that, your Honor, I hope that answers your  
8 question.

9 THE COURT: It does. I just wanted to make sure  
10 that we acknowledge that and didn't just leave that for  
11 the response and then give you rebuttal, you know.

12 We can see the language in the injunction order and  
13 Subsection 14 and some debate as to what that was intended  
14 to mean or not mean. We see Chapter 696 (b) provisions  
15 and how they play. So I think you have encapsulated what  
16 your basic argument is.

17 Is there anything else you want to highlight or do  
18 you want to wait in rebuttal.

19 MR. KATTAN: I would like to highlight one other  
20 point, which is I mentioned the rule about you can't both  
21 enforce a contract and vitiate a contract's arbitration  
22 clause.

23 I would point out two things. Number one, the  
24 Plaintiff does not cite a single case, not one, that is  
25 contrary to the case law that we cite that stands for that

1 rule and that applies to a liquidator. There is no case  
2 that exempts the statutory liquidator from that rule and  
3 this idea that it's a non-signatory has been dismissed by  
4 the Ninth Circuit and all these other cases that we cited  
5 at pages 4 and 5 of our reply brief.

6 The other thing I would say is in their brief the  
7 Plaintiff pushes the idea that the McCarren Ferguson Act  
8 gives her an out here. And it means -- she raises the  
9 McCarren Ferguson Act to bolster the idea that the general  
10 policy on arbitration cannot apply here. The general  
11 presumption in favor of arbitration cannot apply here.

12 I want to be clear. That argument is a side show in  
13 terms of Milliman's argument and the law that binds the  
14 statutory liquidators to arbitration clauses. It is not  
15 based on grand general policy pronouncements. It's based  
16 on specific case law and specific federal and state law  
17 that applies these arbitration clauses to these  
18 liquidators, notwithstanding the fact that they may  
19 technically be a non-signatory, notwithstanding the fact  
20 they have the capacity to bring claims on behalf of  
21 creditors.

22 I'm not going to belabor the point, they're in our  
23 brief, about why the non-signatory argument doesn't work  
24 and why the idea that they're bringing claims -- they  
25 don't stand in the shoes and they're bringing claims on

1       behalf of the creditors. That argument doesn't work.

2               But the idea that the McCarren Ferguson Act  
3       supercedes Milliman's attempt to enforce the arbitration  
4       clause really doesn't work here, because again, these are  
5       not general policy arguments. These are specific  
6       arguments based on on-point, binding precedents that  
7       vitiates Plaintiff's argument.

8               I will take time to respond to Plaintiff's arguments  
9       on rebuttal.

10              THE COURT: I'll give you rebuttal.

11              Mr. Ferrario, are you trying to enforce the  
12       contract on one hand and vitiate the arbitration clause on  
13       the other.

14              MR. FERRARIO: I don't think that's what we're  
15       trying to do. I think what we're trying to do is we're  
16       acting as a receiver under the Nevada Insurance Code, and  
17       we're trying to protect creditors, claimants. We're  
18       trying to marshal assets for an estate. That's all we are  
19       doing.

20              What's interesting is Milliman is a sophisticated in  
21       the insurance business. They understand this. This isn't  
22       something that's a secret to them how this works. You  
23       look around the country, he talks about cases around the  
24       country, we cited a number of cases -- Kentucky,  
25       Louisiana, Ohio, cases from the Fifth Circuit, cases from



1 the Tenth Circuit where this is very common place. This  
2 isn't a surprise to Milliman. Okay.

3 THE COURT: Does seem though the case law you  
4 cited where it focuses on the non-signatory issue, those  
5 cases still stand for the proposition that if you are  
6 suing to enforce a contract that you have to abide by the  
7 totality of the contract.

8 MR. FERRARIO: They are in a different context,  
9 your Honor. They never cited one case that's in this  
10 context where that applies. That's really the issue here.  
11 You hit the nail on the head.

12 Most of what they are arguing is outside of the  
13 context that we are in, which is a liquidation here of a  
14 failed insurance company. Okay. If you look at the cases  
15 that deal with this issue and you start -- I think you  
16 started from the right place. Look at the order that was  
17 entered by Judge Cory. All property is within the control  
18 of this court. If you look at this -- this is what I  
19 found interesting as I was preparing for this. Look at  
20 page 12 of the Defendant's motion.

21 THE COURT: Okay.

22 MR. FERRARIO: They actually argue for a minute,  
23 but I don't think it really gets them there, that a claim  
24 is not property. Of course it is. I don't have to argue  
25 that to your Honor. Any claim that we have is property of

1 the estate, if you will. Here a property of the receiver.  
2 Here that is exclusively under the jurisdiction of this  
3 court. That is without dispute. If you read the order,  
4 which they tap dance around, they want to read Sections 14  
5 and 16. Look at paragraph 3. We cite this on page 5 of  
6 our pleading. It says clearly, property is hereby placed  
7 in custodial list (ph) of this court and the receiver. So  
8 we have exclusive control. This court has exclusive  
9 control as to how we go after her property, which is our  
10 claims. Okay.

11 And so I think your Honor went to the right place.  
12 You went right to the order. This is a statutory scheme  
13 that is integrated into the regulation of insurance  
14 companies. And, again, in other courts where the same  
15 arguments have been made -- in fact, he talks about --  
16 that the reverse preemption argument is sort of a red  
17 herring. Well, the Tenth Circuit didn't think that.  
18 Where you have a comprehensive regulatory scheme like we  
19 do here the McCarren Ferguson Act makes it clear that  
20 State law controls.

21 Now, some other interesting things that they talk  
22 about here. They argue about arbitration being more  
23 efficient. How is it more efficient that I now have to  
24 pay for 3 people to hear this claim. What they're  
25 advocating for is dissipation of assets of the estate.

1 This is something you touched on early about access to the  
2 court. They want us to have to dissipate assets of the  
3 estate to pursue our claims. They argue without any  
4 evidentiary support that somehow that's more efficient.  
5 I'm here to tell you having been through a number of 3  
6 panel arbitrations, typically they're anything but  
7 efficient, and they are very costly.

8 So if you look at that in terms of the overall  
9 principles behind what it is my client is doing, which is,  
10 again, stepping into the shoes, to some extent, of the  
11 failed company, but also vindicating rights of creditors,  
12 policy holders, and everyone else. And the way the  
13 statute is to work is we have the choice, okay. This  
14 court has the obligation to enforce that choice on where  
15 we litigate these claims.

16 Again, your Honor, for Milliman to come in and say  
17 this is unfair, to me, again, shows a lack of  
18 sophistication -- and probably we shouldn't be surprised  
19 at how they performed under this contract -- of what it is  
20 they were doing here. They were jumping into the  
21 insurance industry in Nevada. They should not be  
22 surprised that this may vitiate this provision that they  
23 had in their contract.

24 And the other thing -- and it's footnoted here, and  
25 they skipped it a little in their argument. But remember,

1 Milliman wanted New York law to apply here. Under New  
2 York law -- we cite that in our footnote -- under New York  
3 law arbitration in this context are struck down. So the  
4 very choice of law that they want to apply knocks them out  
5 of box. But they don't mention it. They say, well, this  
6 is a procedural thing and that's substantive. That's  
7 nonsense. If they want to enforce all of the contract  
8 under one set of law, then they ought to be bound by that  
9 set of law. They said New York. New York says you don't  
10 get arbitration.

11 So I would answer any questions the court has. I  
12 think between the two parties we have scorched the earth  
13 on cases that have dealt with this.

14 THE COURT: It was very thorough.

15 MR. FERRARIO: I don't think we left anything to  
16 chance. If you have any questions -- I think your Honor  
17 started in the right place. I think Judge Cory's order is  
18 absolutely correct. It's consistent with the statute. We  
19 are here to marshal assets in the most efficient and  
20 effective way to protect creditors and claimants and  
21 policy holders, and that's what we do. And forcing us to  
22 litigate or litigate parts of claims in other forums is  
23 not consistent with that public policy purpose.

24 Thank you, your Honor.

25 THE COURT: I'll let you head where you want to

1       because I'm sure you have some thoughts in your head, but  
2       I may have questions.

3               MR. KATTAN: I'm happy to start wherever you  
4       want me to.

5               THE COURT: When the focus was on, well, yeah,  
6       the order says exclusive jurisdiction, relying on  
7       receivership statute and it says certain things it says,  
8       but then focuses on 14 and sub-parts where it purports to  
9       give the receiver the option to do things other ways that  
10      somehow that's a recognition that we don't have to stay in  
11      court. Isn't that really something that enures to the  
12      benefit of the receiver. Is it necessarily something that  
13      can or should be argued here to support your side of the  
14      coin.

15              MR. KATTAN: Sure. Let me make two responses to  
16      that argument.

17              Let's look at the plain language of the order. There  
18      is nothing, nothing in the plain language of the order  
19      that gives the liquidator that kind of unfettered  
20      unilateral discretion.

21              Second, if the liquidator had that kind of sole  
22      discretion, why would the liquidator ever choose to  
23      litigate elsewhere, or, in quote, other legal proceedings  
24      like arbitration. And assuming the answer to that  
25      question is because there are circumstances where a

1 liquidator must pursue claims outside of Nevada state  
2 courts. Well, this is one of those times. This is one of  
3 those times. There's no reason why federal law and state  
4 law mandating enforcement of an arbitration clause should  
5 be treated with any less sanctity than a federal law that  
6 confers jurisdiction over claims against the federal  
7 government in federal courts. Nor is there any reason why  
8 the contractual arbitration provision in Milliman's  
9 agreement with NHC should be treated any differently than  
10 a contractual venue selection, a jurisdiction provision.  
11 That was in the contract that the Plaintiffs are trying to  
12 enforce between NHC and the Department of Health and Human  
13 Services. That's why this idea of -- it just gives the  
14 liquidator the right to do whatever they want. (a),  
15 there's nothing in the order that say that. (b),  
16 practice, their own actions make clear that they don't  
17 believe that.

18 Unless you have any questions.

19 THE COURT: I don't have a question about that.  
20 I wanted you to have the opportunity to respond to Mr.  
21 Ferrairo's comment.

22 MR. KATTAN: If you have a question on a  
23 different topic, I'd be happy to go over it. Because  
24 there are a couple of things about Plaintiff's argument I  
25 would like to address. A last impact here.

1 First, the idea that we don't cite a single case in  
2 this context. I'm not sure what Counsel meant by that,  
3 but if you look at pages 4 and 5 of our reply brief, we  
4 cite a dozen cases from all around the country where  
5 contractual arbitration clauses were enforced against  
6 statutory liquidators and jurisdictions that have  
7 limitation statutes that are similar to Nevada.

8 THE COURT: But you'd admit there is nothing  
9 that requires that in Nevada, yet.

10 MR. KATTAN: Yet. You are correct there was not  
11 an on-point case law that -- there is none in Nevada.

12 THE COURT: Just as a side note, because I know  
13 you're visiting our jurisdiction. When I first moved back  
14 here -- I practiced in California -- I remember walking  
15 into -- if everyone is old enough to remember the law  
16 library that used to be at the base of the FIB building --  
17 the stacks in there -- I walked in and I said to the guy,  
18 where are the Nevada Reporters, where's the stuff. There  
19 was a bookshelf like that, with 3 shelves and that was it.  
20 I'm sorry. That's it. And it hasn't grown much since.

21 MR. KATTAN: We noticed in putting this together  
22 there is sometimes an absence of Nevada jurisdiction on a  
23 lot of things. In this case there was really good Nevada  
24 law that supports our position, including in a liquidation  
25 context, Ahlers vs. Ryland Homes, which stands for the

1 proposition you can't both enforce and evade an  
2 arbitration clause. There is no reason not to apply that  
3 to the insurance liquidation context. There are a dozen  
4 or so cases we cite on pages 4 and 5 of our reply brief  
5 that state so. Unless you want me to go them, I can stand  
6 on my brief on that point.

7 THE COURT: Your case law you cited is  
8 persuasive. It's non-binding, of course. But there is  
9 persuasion to that.

10 Really where the court is going to make the call is,  
11 I think, going to have to make the call that best serves  
12 the purposes of our statutes and our situation. And I  
13 think while we do have this conflict, for lack of a better  
14 word, between the contract and the efforts that are being  
15 undertaken in part to enforce the contract and the unique  
16 context that we have arising, I think it still comes down  
17 to what's best suited for the needs of the folks involved.  
18 And if you want to comment on that, or anything else you  
19 want to comment on.

20 MR. KATTAN: Sure. I would like to comment on  
21 that. I'll comment both from a legal perspective and a  
22 practical perspective.

23 First, let's address the idea that somehow  
24 arbitrating would --

25 THE COURT: Dissipate the assets.



1 MR. KATTAN: I can start there if you'd like to.  
2 Fine.

3 Frankly, that just -- the Nevada Supreme Court  
4 held otherwise. The Nevada Supreme Court has held in the  
5 DR Horton case that arbitration is more cost effective and  
6 more efficient then traditionally litigation. That's not  
7 my opinion. That's Nevada Supreme Court juris prudence.

8 Moreover, this idea that on the one hand -- think of  
9 their argument and think about how internally inconsistent  
10 it is. One of the main arguments they raises to try to  
11 say that arbitration is inappropriate here, is that  
12 arbitration has far more limited discovery then the  
13 discovery this court would allow. That just goes exactly  
14 to what the Nevada Supreme Court is saying. Written into  
15 the contract is a far more efficient and cost effective  
16 process. I suppose you have to pay the arbitrators. As  
17 your Honor I'm sure well knows, attorneys from Greenberg  
18 Traurig and every other attorney who's dealt with civil  
19 discovery, particularly in a multi-defendant cases such as  
20 this, the real costs get run up during discovery. That's  
21 going to be far more costly then simply paying 3  
22 arbitrators. So their own argument proves why this idea  
23 that they're going to be dissipating estate assets is  
24 frankly wrong.

25 The idea that, well, there is other Defendants.

1 Look, that is an issue in any arbitration where multiple  
2 Defendants or one Defendant has an arbitration clause and  
3 other Defendants don't. That's not a normal reason to  
4 vitiate an otherwise valid, binding arbitration clause.  
5 So why is it a reason to vitiate an arbitration clause  
6 here.

7 The Supreme Court said you can't use -- the US  
8 Supreme Court has said you can't use those kind of general  
9 public policy arguments to knockout a -- knockout a valid  
10 and binding arbitration clause. That's the AT&T vs.  
11 Ascension case, the Southland Corp case. The Ninth  
12 Circuit said that in the Quackenbush case. You can't use  
13 these sort of general pronouncements of public policy to  
14 vitiate an otherwise valid and binding arbitration clause.  
15 So for all those reasons this idea that, you know, it  
16 might be more expensive or it might run up costs, (a) it's  
17 not true, (b), if it was true, that's an issue always with  
18 arbitration when you have these multiple Defendants. And  
19 it's still not a reason to get rid of an arbitration  
20 clause that's binding. Multiple jurisdictions, including  
21 the US Supreme Court and the Ninth Circuit have held  
22 that.

23 The other thing I think that's important to  
24 recognize, and this is the something that the Plaintiffs  
25 did throughout their papers and Counsel did it again here.

1 This idea that they're acting on behalf of the State, that  
2 they're acting on behalf of creditors. That's an argument  
3 that has been expressly rejected by several jurisdictions  
4 that have addressed that very issue -- the Ninth Circuit,  
5 the Third Circuit, the Sixth Circuit and several federal  
6 district courts that we cite on pages 10 and 11 of our  
7 papers. They all stand for the proposition that where a  
8 statutory liquidator is bringing straightforward tort and  
9 contract claims against a third party that is not a  
10 situation that implicates the States regulation of  
11 insurance. That is not a situation that threatens  
12 creditors' right or priorities issues. That is not that  
13 kind of situation.

14 The Plaintiff throughout their papers tries to  
15 conflate two very, very different things. They try to  
16 conflate claims that belongs to creditors with claims that  
17 simply, if they recover money there will be more money in  
18 the pot and that will ultimately benefit creditors.

19 The former, maybe that's a situation that implicates  
20 the State regulation of insurance, but the latter, which  
21 is what we have here, again, we cite a dozen cases in our  
22 reply brief that expressly hold that those kinds of  
23 situations, the situation we have here, do not, do not  
24 implicate the kind of creditors' rights and the  
25 liquidator's statutory function. So really, enforcing the

1 arbitration clause here does not raise or does not  
2 implicate the kind of parade of horrors that the  
3 Plaintiff is raising here.

4 Frankly, the Plaintiff talked about evidence --  
5 that's the last thing I'll mention on this point -- where  
6 is the evidence, where is the evidence of inconsistent  
7 rulings, where is the evidence. There is nothing. There  
8 is not one specific item that the Plaintiff mentions that  
9 will suffer for having Milliman -- the claims against  
10 Milliman be arbitrated here. This is a situation where  
11 again we have a case that is very distinct from the  
12 liquidation proceeding, a claim is not being made against  
13 estate assets. Plaintiff's counsel tries to gloss over  
14 that distinction, but the case law we cited in our reply  
15 brief and our opening brief makes a critical distinction  
16 between claims that are made against estate assets and  
17 claims like here, that are tort and contract claims  
18 against third parties. Even the case the Plaintiff cites  
19 makes those distinctions, the Covington case from Ohio the  
20 Plaintiff cites, we blocked that in our reply brief.

21 So for all of those reasons, this idea that enforcing  
22 the arbitration clause is going to make the estate suffer,  
23 it will make creditors suffer has really roundly been  
24 rejected.

25 Unless your Honor has anything else specific, I want

1 to read one quote because really that argument was  
2 expressly raised before and rejected by the Third Circuit  
3 in Sooter (ph). I want to leave your Honor with a quote  
4 from Sooter, because I think when you look at this, it  
5 really shows why there is no harm. And certainly no harm  
6 in arbitrating the case here. In fact the federal law  
7 enures, requires that the arbitration clause be enforced  
8 here.

9 What the Third Circuit in Sooter said rejecting this  
10 very argument is, "This is not a delinquency proceeding or  
11 a proceeding similar to one. Nor is it a suit by the  
12 party seeking access to the estate -- seeking to access  
13 the assets of the insurer's estate. What this proceeding  
14 is is a suit instituted by the liquidator against a  
15 re-insured to enforce contract rights for an insolvent  
16 insurer, which if meritorious, will benefit the insurer's  
17 estate. Accordingly, we fail to perceive any potential  
18 for interference with the liquidation act proceeding  
19 before the Supreme Court."

20 "If it's true, as the liquidator stresses, that if a  
21 district court or arbitrator should decide the reinsurance  
22 agreement does not cover the disputed expenses, the estate  
23 will be smaller than if that issue was resolved in the  
24 liquidator's favor. But the mere fact that policy holders  
25 may receive less money does not impair the operation of

1 any provision of New Jersey's Liquidation Act."

2 For that reason the Third Circuit said there was no  
3 reverse preemption to enforce the arbitration clause.  
4 That rational applies four square here. Again, unless  
5 your Honor has any questions.

6 THE COURT: I do not. Thank you.

7 Thank you for your rebuttal.

8 I appreciate the very thorough briefing. I very  
9 much appreciate the opportunity to see, as you said,  
10 Mr. Byrne said, we scorched the earth here to find the  
11 case law.

12 I think the tricky part about this one, I'll be very  
13 candid, I was on a panel at a business court judge's  
14 conference a few years ago where we were talking about  
15 arbitration clauses and the difficulty it's creating with  
16 business courts and other courts because it's taking  
17 things out of the court's jurisdiction and maybe on  
18 occasion that shouldn't be the case. But I think in this  
19 particular case, it really does squarely rest on is this a  
20 situation where what a receiver is doing is something  
21 that's within the statutory scheme that somehow should be  
22 reverse preempting the arbitration clause, or really is  
23 this an effort to increase the estate's coffers to pay  
24 creditors and otherwise.

25 When the dust settles on everything here, as much as

1       it goes against my personal feelings of, we need to have  
2       access to the courts always and some concerns with  
3       over-arbitrating, if you will, these matters, I think in  
4       this particular case what's happening here is the  
5       liquidator is enforcing the contract and enforcing  
6       circumstances that at the end of the day do not  
7       invalidate, impair, or supersede, as argued by the  
8       Plaintiff, to any kind of impact of Nevada liquidation. I  
9       think what's happening here does fall squarely within the  
10      need to support the arbitration presumption.

11           I do not believe that it is reverse preempted in the  
12      actual factual circumstances of what is occurring here. I  
13      do believe that although it's possible that our Supreme  
14      Court would not follow these other precedents that are set  
15      or persuasive decisions that have been made in these other  
16      jurisdictions, I think it's equally possible they would  
17      follow that, because over the evolution of time the  
18      arbitration statute and the presumption of arbitration has  
19      gotten stronger, not weaker.

20           Again, much, somewhat to my personal concern, but  
21      again, just enforcing the laws as I see them and  
22      development of the laws and the actual factual  
23      underpinnings of what happened here, I do believe it's  
24      appropriate to grant the motion at this time to allow the  
25      arbitration to be compelled.

1           I don't, again, perceive that it runs afoul of or  
2 otherwise regulatory scheme, because I believe what is  
3 occurring I don't necessarily disagree with the opposition  
4 that we are dealing with, obviously, a State statute that  
5 was enacted for the purpose of regulating insurance and  
6 that there is a federal statute that may have been  
7 interpreted to not necessarily relate to insurance, but at  
8 the end of the day the application of the federal statute  
9 as it's applying here in this context, again, I don't  
10 believe is related to or invalidating the State statute  
11 that's regulating insurance.

12           If it's not the exact quote you read from the Third  
13 Circuit, be any means, but ultimately I'm persuaded by  
14 that argument that this is a matter that is appropriate to  
15 be placed in arbitration pursuant to the contract clause.  
16 And the efforts to enforce the contracts with third  
17 parties to add to the coffers does not, again, invalidate  
18 or otherwise impact our statutory liquidation scheme.

19           I'm going to ask Mr. Kattan to prepare the order.  
20 Give Mr. Ferrario an opportunity to see it. Again, my  
21 personal concerns aside about taking things out of our  
22 court system, at the end of the day, I think it's  
23 appropriate in this context.

24           MR. FERRARIO: One clarification so I don't have  
25 to bring a motion. In our papers we pointed out some



1 things were extra contractual that we didn't think would  
2 fall within the scope, such as negligence per se claim  
3 which is on page 47 of our complaint; violation of State  
4 statute.

5 I understand the straight contract claims. I  
6 understand your ruling in regard to that. There were  
7 claims like conspiracy claims that we don't think are  
8 involved in the scope of that.

9 THE COURT: Here is how I'll answer this, Mr.  
10 Ferrario. To the extent you need a motion for  
11 clarification because somehow the order can't be worked  
12 out and the court signs off on an order that's not agreed  
13 with, we can deal with it then.

14 It's not necessarily being driven by all the myriad  
15 of claims that have been filed. It's being driven by who  
16 is doing what on behalf of whom and standing in their  
17 shoes and how they're doing it. So I don't know that it  
18 matters what the claims are titled in this circumstance  
19 where the liquidator is seeking to go after assets from  
20 third parties to increase the coffers, and that's really  
21 the context of what's happening here regardless of what we  
22 call the claims. That's what I believe is required to go  
23 to arbitration. It's not a situation of something being  
24 outside of it or something being inside of it. It's  
25 really who is doing what to whom that drives the train

1       here.

2               MR. FERRARIO: To the extent we need to bring it  
3       back, we will. Understood.

4               THE COURT: I won't quibble with that in a case  
5       like this. I'm going to require and request respectfully  
6       Mr. Kattan and Mr. Byrne that you give some detail in the  
7       order as to what the court has found persuasive in the  
8       argument so that we have that so that to the extent it's  
9       challenged this could very well be the case that  
10      ultimately sets the law on this issue for the State of  
11      Nevada. I want to make sure we're complete with that.

12              MR. KATTAN: We'll request a transcript and give  
13      Mr. Ferrario every opportunity to have what would be a  
14      joint submission.

15              THE COURT: I'm not sure my articulation was as  
16      well done as perhaps the pleadings were, but if you need a  
17      transcript I'm sure we can take care of that in normal  
18      course.

19              MR. PRUNTY: When would you like the order.

20              THE COURT: It should be 10 days, but we'll see  
21      what happens with that transcript.

22  
23  
24  
25                   \* \* \* \* \*

CERTIFICATE  
OF  
CERTIFIED COURT REPORTER

\* \* \* \* \*

I, the undersigned certified court reporter in and for the  
State of Nevada, do hereby certify:

That the foregoing proceedings were taken before me at the  
time and place therein set forth; that the testimony and  
all objections made at the time of the proceedings were  
recorded stenographically by me and were thereafter  
transcribed under my direction; that the foregoing is a  
true record of the testimony and of all objections made at  
the time of the proceedings.

A handwritten signature in cursive script, appearing to read "Sharon Howard", is written over a horizontal line. The signature is fluid and includes a large, circular flourish at the end.

Sharon Howard  
C.C.R. #745

<p>&lt; Dates &gt;.  JANUARY 9, 2018  1:29, 3:1.  #745 31:28.  .  .  &lt; 1 &gt;.  10 23:6, 30:20.  11 23:6.  12 13:20.  14 8:23, 10:13,  14:4, 17:8.  15 3:5.  16. 14:5.  .  .  &lt; 2 &gt;.  25 1:3.  .  .  &lt; 3 &gt;.  3 14:24, 15:5,  19:19, 21:21.  3. 14:5.  .  .  &lt; 4 &gt;.  4 11:5, 19:3,  20:4.  47 29:3.  .  .  &lt; 5 &gt;.  5 5:4, 11:5, 14:5,  19:3, 20:4.  .  .  &lt; 6 &gt;.  696 10:14.  .  .  &lt; 7 &gt;.  745 1:35.  .  .  &lt; A &gt;.  abide 13:6.  absence 19:22.  absolutely  16:18.</p>	<p>access 4:3, 15:1,  25:12, 27:2.  Accordingly  25:17.  acknowledge  10:10.  Act 5:18, 11:7,  11:9, 12:2,  14:19, 25:18.  Act. 26:1.  acting 12:16,  23:1, 23:2.  actions 8:11,  18:16.  acts 6:10.  actual 27:12,  27:22.  actually 13:22.  actuarial 4:23.  add 28:17.  address 18:25,  20:23.  addressed 23:4.  adhesion 5:11.  admit 19:8.  advocating  14:25.  afoul 28:1.  ago 26:14.  agreed 29:12.  agreement 5:5,  5:9, 5:11, 5:12,  5:14, 5:22,  6:24, 7:1, 7:6,  7:8, 7:19, 18:9,  25:22.  Ahlers 7:5,  19:25.  Alex 3:18.  allow 4:8, 21:13,  27:24.  allowed 6:1.  allows 8:10,  8:12.  alone 6:11.  although 27:13.  altogether 8:20.  ambiguous 5:6.  answer 16:11,  17:24, 29:9.</p>	<p>answers 10:7.  APPEARANCES 2:1,  3:7.  applicable 7:1.  application  28:8.  applies 7:9, 11:1,  11:17, 13:10,  26:4.  apply 11:10,  11:11, 16:1,  16:4, 20:2.  applying 28:9.  appointed 7:9.  appreciate 26:8,  26:9.  approach 7:18.  appropriate 27:24,  28:14, 28:23.  arbitrate 6:20.  arbitrated  24:10.  arbitrating 20:24,  25:6.  arbitrations  15:6.  arbitrator  25:21.  arbitrators 21:16,  21:22.  argue 5:24, 13:22,  13:24, 14:22,  15:3.  argued 17:13,  27:7.  arguing 3:14,  13:12.  argument 4:11,  4:16, 10:16,  11:12, 11:13,  11:23, 12:1,  12:7, 14:16,  15:25, 17:16,  18:24, 21:9,  21:22, 23:2,  25:1, 25:10,  28:14, 30:8.  arguments 5:24,  6:2, 12:5, 12:6,  12:8, 14:15,</p>
--	---	---

<p>21:10, 22:9.  arise 5:7, 6:21.  arising 6:24,  20:16.  around 6:15,  12:23, 14:4,  19:4.  articulation  30:15.  Ascension 22:11.  aside 28:21.  aspects 5:1.  assets 12:18,  14:25, 15:2,  16:19, 20:25,  21:23, 24:13,  24:16, 25:13,  29:19.  assume 7:14.  assuming 17:24.  AT&amp;T 22:10.  attempt 12:3.  attorney 21:18.  attorneys 21:17.  avoid 7:7.  away 4:2.  .  .  &lt; B &gt;.  back 19:13,  30:3.  bargained 4:5.  base 19:16.  based 10:2, 11:15,  12:6.  basic 7:4,  10:16.  begs 4:7.  behalf 3:11, 3:18,  4:22, 11:20,  12:1, 23:1,  23:2, 29:16.  behind 15:9.  belabor 11:22.  believe 3:15,  18:17, 27:11,  27:13, 27:23,  28:2, 28:10,  29:22.  belongs 23:16.</p>	<p>benefit 6:10,  17:12, 23:18,  25:16.  Bennett 7:11.  best 20:11,  20:17.  better 20:13.  beyond 6:8,  6:14.  binding 5:21,  12:6, 22:4,  22:10, 22:14,  22:20.  binds 11:13.  Black 7:9.  Blankenship 2:6,  3:17.  blocked 24:20.  blows 4:14.  bolster 11:9.  bookshelf 19:19.  bound 7:1, 16:8.  box 16:5.  Brian 2:6, 3:17.  brief 6:4, 7:15,  11:5, 11:6,  11:23, 19:3,  20:4, 20:6,  23:22, 24:15,  24:20.  briefed 3:22.  briefing 26:8.  bring 3:13, 8:11,  11:20, 28:25,  30:2.  bringing 6:23,  8:19, 11:24,  11:25, 23:8.  brings 8:10,  9:18.  broad 5:6.  brought 9:19,  9:20, 10:1,  10:5.  building 19:16.  business 12:21,  26:13, 26:16.  Byrne 2:7, 3:11,  4:21, 26:10,  30:6.</p>	<p>.  .  &lt; C &gt;.  calendar 3:21.  California 7:16,  19:14.  call 20:10, 20:11,  29:22.  called 9:1.  candid 26:13.  capacity 4:14,  11:20.  care 30:17.  cases 7:4, 11:4,  12:23, 12:24,  12:25, 13:5,  13:14, 16:13,  19:4, 20:4,  21:19, 23:21.  certain 17:7.  certainly 25:5.  CERTIFICATE  31:1.  CERTIFIED 31:3,  31:8.  certify 31:9.  challenged 30:9.  chance 16:16.  Chapter 10:14.  choice 15:13,  15:14, 16:4.  choose 17:22.  Circuit 7:11,  7:21, 11:4,  12:25, 13:1,  14:17, 22:12,  22:21, 23:4,  23:5, 25:2,  25:9, 26:2,  28:13.  circumstance  29:18.  circumstances  3:25, 17:25,  27:6, 27:12.  cite 7:15, 10:24,  10:25, 14:5,  16:2, 19:1,  19:4, 20:4,  23:6, 23:21.</p>
---	--	---

cited 6:19, 11:4, 12:24, 13:4, 13:9, 20:7, 24:14.	Co-op 5:6.	contract 5:10, 6:23, 7:13, 9:13, 10:3, 10:21, 12:12, 13:6, 13:7, 15:19, 15:23, 16:7, 18:11, 20:14, 20:15, 21:15, 23:9, 24:17, 25:15, 27:5, 28:15, 29:5.
cites 6:3, 9:6, 24:18, 24:20.	Code 12:16.	contracts 3:25, 28:16.
civil 21:18.	coffers 26:23, 28:17, 29:20.	contractual 6:17, 6:22, 9:5, 9:7, 9:10, 9:12, 9:13, 18:8, 18:10, 19:5, 29:1.
claim 8:20, 10:1, 13:23, 13:25, 14:24, 24:12, 29:2.	coin 17:14.	contrary 10:25.
claimants 12:17, 16:20.	comes 20:16.	control 13:17, 14:8, 14:9.
claims 6:20, 6:24, 8:9, 8:12, 8:22, 10:3, 10:5, 11:20, 11:24, 11:25, 14:10, 15:3, 15:15, 16:22, 18:1, 18:6, 23:9, 23:16, 24:9, 24:16, 24:17, 29:5, 29:7, 29:15, 29:18, 29:22.	comment 18:21, 20:18, 20:19, 20:20, 20:21.	controls 14:20.
clarification	Commissioner 1:10, 3:5.	coordinate 9:22.
28:24, 29:11.	common 10:3, 13:1.	Corp 22:11.
CLARK 1:7.	companies 14:14.	correct 16:18, 19:10.
clause 5:3, 6:18, 7:2, 7:20, 8:18, 9:5, 9:7, 9:10, 9:12, 9:13, 10:22, 12:4, 12:12, 18:4, 20:2, 22:2, 22:4, 22:5, 22:10, 22:14, 22:20, 24:1, 24:22, 25:7, 26:3, 26:22, 28:15.	Company 7:12, 7:16, 13:14, 15:11.	Cory 13:17, 16:17.
clauses 11:14, 11:17, 19:5, 26:15.	COMPEL 1:16, 3:21.	cost 21:5, 21:15.
clear 9:24, 11:12, 14:19, 18:16.	compelled 27:25.	costly 15:7, 21:21.
clearly 8:10, 8:12, 14:6.	compels 6:19.	costs 21:20, 22:16.
client 15:9.	complaint 5:15, 9:6, 29:3.	Counsel 7:22, 19:2, 22:25, 24:13.
	complete 30:11.	country 6:16, 12:23, 12:24, 19:4.
	comprehensive 14:18.	COUNTY 1:7.
	concern 27:20.	couple 4:25, 18:24.
	concerning 6:9.	course 13:24, 20:8, 30:18.
	concerns 27:2, 28:21.	Court. 25:19.
	conference 26:14.	Courts 6:15, 7:21, 14:14, 18:2,
	confers 18:6.	
	conflate 23:15, 23:16.	
	conflict 20:13.	
	connect 4:18.	
	consistent 16:18, 16:23.	
	consolidate 9:22.	
	conspiracy 29:7.	
	consulting 5:4.	
	context 10:5, 13:8, 13:10, 13:13, 16:3, 19:2, 19:25, 20:3, 20:16, 28:9, 28:23, 29:21.	

<p>18:7, 23:6, 26:16, 27:2. cover 25:22. covers 5:6, 10:4. Covington 24:19. create 8:16. created 8:25. creating 26:15. creditors 6:12, 11:21, 12:1, 12:17, 15:11, 16:20, 23:2, 23:12, 23:16, 23:18, 23:24, 24:23, 26:24. critical 24:15. custodial 14:7. . . &lt; D &gt;. dance 14:4. DATED 1:29. day 27:6, 28:8, 28:22. days 30:20. deal 13:15, 29:13. dealing 28:4. dealt 16:13, 21:18. debate 10:13. decide 25:21. decisions 6:3, 27:15. Defendant 1:21, 2:5, 3:11, 13:20, 22:2. Defendants 4:23, 4:24, 21:25, 22:2, 22:3, 22:18. defenses 5:15. DELANEY 1:26. delinquency 25:10. denied 9:23. Dentons 3:14, 4:22. Department 9:2,</p>	<p>18:12. DEPT. 1:3. Der 4:24. detail 30:6. determine 4:7. development 27:22. dictated 9:8. difference 9:25. different 13:8, 18:23, 23:15. differently 9:13, 18:9. difficulty 26:15. direction 31:15. disagree 28:3. discovery 21:12, 21:13, 21:19, 21:20. discretion 17:20, 17:22. discussion 3:24. dismissed 11:3. dispute 5:1, 14:3. disputed 25:22. disputes 5:7. Dissipate 15:2, 20:25. dissipating 21:23. dissipation 14:25. distinct 24:11. distinction 24:14, 24:15. distinctions 24:19. District 1:6, 1:27, 7:15, 23:6, 25:21. doing 12:19, 15:9, 15:20, 26:20, 29:16, 29:17, 29:25. Donald 2:3, 3:8. done 30:16. down 16:3, 20:16.</p>	<p>dozen 19:4, 20:3, 23:21. driven 29:14, 29:15. drives 29:25. duress 5:12. during 21:20. dust 26:25. . . &lt; E &gt;. early 15:1. earth 16:12, 26:10. effective 16:20, 21:5, 21:15. efficient 14:23, 15:4, 15:7, 16:19, 21:6, 21:15. effort 5:24, 26:23. efforts 20:14, 28:16. either 5:15. elephant 7:23. elsewhere 4:9, 17:23. enacted 28:5. encapsulated 10:15. end 27:6, 28:8, 28:22. enforce 7:6, 7:13, 7:18, 10:21, 12:3, 12:11, 13:6, 15:14, 16:7, 18:12, 20:1, 20:15, 25:15, 26:3, 28:16. enforced 19:5, 25:7. enforcement 9:11, 18:4. enforcing 23:25, 24:21, 27:5, 27:21. engagement 5:7. enough 19:15.</p>
---	--	--

entered 5:9, 13:17.	< F >.	17:8.
enures 17:11, 25:7.	FAA 5:18, 5:25.	folks 20:17.
equally 7:9, 27:16.	fact 6:9, 9:21, 11:18, 11:19, 14:15, 25:6, 25:24.	follow 27:14, 27:17.
ESQ 2:2, 2:3, 2:5, 2:6, 2:7.	factual 27:12, 27:22.	footnote 16:2.
estate 6:12, 12:18, 14:1, 14:25, 15:3, 21:23, 24:13, 24:16, 24:22, 25:12, 25:13, 25:17, 25:22, 26:23.	fail 25:17.	footnoted 15:24.
evade 6:1, 7:19, 20:1.	failed 13:14, 15:11.	forcing 16:21.
evaded 6:17.	fall 27:9, 29:2.	foregoing 31:11, 31:15.
everyone 15:12, 19:15.	far 21:12, 21:15, 21:21.	form 9:5, 9:7.
everything 26:25.	favor 11:11, 25:24.	former 23:19.
evidence 5:14, 24:4, 24:6, 24:7.	Federal 5:17, 8:17, 9:3, 9:5, 9:6, 9:9, 9:11, 9:15, 11:16, 18:3, 18:5, 18:6, 18:7, 23:5, 25:6, 28:6, 28:8.	forth 31:12.
evidentiary 15:4.	feelings 27:1.	forums 16:22.
evolution 27:17.	Ferguson 11:7, 11:9, 12:2, 14:19.	found 5:4, 13:19, 30:7.
exact 28:12.	Ferrairo 18:21.	four 26:4.
exactly 21:13.	Ferrario 2:2, 3:8, 12:11, 12:14, 13:8, 13:22, 16:15, 28:20, 28:24, 29:10, 30:2, 30:13.	Frankly 21:3, 21:24, 24:4.
exclusive 7:25, 8:8, 8:25, 9:16, 10:4, 14:8, 17:6.	few 26:14.	fraud 5:12.
exclusively 14:2.	FIB 19:16.	function 23:25.
exempts 11:2.	Fifth 12:25.	.
exist 5:22.	file 9:8, 9:14.	.
exists 7:24.	filed 29:15.	< G >.
expenses 25:22.	find 26:10.	general 4:10, 8:4, 11:9, 11:10, 11:15, 12:5, 22:8, 22:13.
expensive 22:16.	Fine 21:2.	generally 6:10.
expressly 23:3, 23:22, 25:2.	Fire 7:12.	gets 13:23.
extent 15:10, 29:10, 30:2, 30:8.	Firm 3:14.	getting 7:22.
extra 29:1.	First 5:3, 19:1, 19:13, 20:23.	Give 10:11, 12:10, 17:9, 28:20, 30:6, 30:12.
.	Flansburg 3:18.	gives 11:8, 17:19, 18:13.
.	focus 4:25, 17:5.	gloss 24:13.
.	focuses 13:4,	gotten 27:19.
		governing 5:20.
		government 18:7.
		grand 11:15.
		grant 27:24.
		Greenberg 21:17.
		grounds 5:13, 5:20.
		grown 19:20.
		guy 19:17.
		.
		.
		< H >.
		hand 12:12,



21:8.	18:12.	15:21, 20:3,
hands 8:19.	.	23:11, 23:20,
happened 27:23.	.	28:5, 28:7,
happening 8:6,	< I >.	28:11.
27:4, 27:9,	idea 7:18, 9:16,	Insuremonkey
29:21.	11:3, 11:7,	3:18.
happens 5:23,	11:9, 11:24,	insurer 6:11,
30:21.	12:2, 18:13,	6:21, 7:2, 7:13,
happy 8:7, 17:3,	19:1, 20:23,	7:19, 25:13,
18:23.	21:8, 21:22,	25:16.
harm 25:5.	21:25, 22:15,	insurers 6:12.
He'll 3:14.	23:1, 24:21.	integrated
head 13:11, 16:25,	impact 18:25,	14:13.
17:1.	27:8, 28:18.	intended 10:13.
Health 5:5, 9:2,	impair 25:25,	interesting 12:20,
18:12.	27:7.	13:19, 14:21.
hear 14:24.	implicate 23:24,	interference
Heijde 4:24.	24:2.	25:18.
held 7:12, 21:4,	implicates 23:10,	internally 21:9.
22:21.	23:19.	interpreted
hereby 14:6,	important 3:23,	28:7.
31:9.	5:17, 8:18,	invalidate 27:7,
herring 14:17.	22:23.	28:17.
herself 9:6.	inappropriate	invalidating
HHS 9:14.	21:11.	28:10.
high 8:3.	INC. 1:19.	involved 20:17,
highlight 4:17,	including 7:1,	29:8.
10:17, 10:19.	19:24, 22:20.	issue 3:23, 5:3,
hit 8:3, 13:11.	inconsistent 7:18,	13:4, 13:10,
hold 23:22.	21:9, 24:6.	13:15, 22:1,
holders 6:12,	increase 26:23,	22:17, 23:4,
6:13, 15:12,	29:20.	25:23, 30:10.
16:21, 25:24.	Indemnity 7:16.	issues 23:12.
holds 7:17.	indisputably	item 24:8.
Homes 7:6,	6:23.	.
19:25.	individual 4:23.	.
Honor 3:10, 4:20,	industry 15:21.	< J >.
5:2, 6:6, 10:7,	injunction	Jersey 26:1.
13:9, 13:25,	10:12.	John 4:24.
14:11, 15:16,	inside 29:24.	joint 30:14.
16:16, 16:24,	insolvent 6:11,	Judge 1:27, 13:17,
21:17, 24:25,	6:21, 7:2, 7:19,	16:17, 26:13.
25:3, 26:5.	25:15.	jumping 15:20.
HONORABLE 1:26.	instances 6:17.	juris 21:7.
hope 10:7.	instituted	jurisdiction 8:1,
horribles 24:2.	25:14.	8:9, 8:16, 8:25,
Horton 21:5.	Insurance 1:11,	9:4, 9:16, 10:4,
Howard 1:35,	3:6, 7:10, 7:12,	14:2, 17:6,
31:27.	12:16, 12:21,	18:6, 18:10,
Human 9:2,	13:14, 14:13,	19:13, 19:22,

26:17.	legal 8:13, 17:23,	25:4.
jurisdictions	20:21.	lot 19:23.
19:6, 22:20,	less 18:5,	Louisiana 12:25.
23:3, 27:16.	25:25.	.
Justin 2:5, 3:13,	Letter 7:9.	.
4:21.	liabilities.	< M >.
.	7:14.	main 21:10.
.	Liberty 7:11.	mandating 9:11,
< K >.	library 19:16.	18:4.
KATHLEEN 1:26.	limitation 19:7.	Mark 2:2, 3:8.
KATTAN 2:5, 3:13,	limited 21:12.	marshal 12:18,
4:19, 4:20,	Liquidation 9:17,	16:19.
4:21, 8:7,	9:19, 9:21,	Mary 4:24.
10:19, 17:3,	9:22, 9:25,	matter 4:8, 7:25,
17:15, 18:22,	10:5, 13:13,	28:14.
19:10, 19:21,	19:24, 20:3,	matters 27:3,
20:20, 21:1,	24:12, 25:18,	29:18.
28:19, 30:6,	26:1, 27:8,	Mccarren 11:7,
30:12.	28:18.	11:9, 12:2,
Kentucky 12:24.	liquidator 6:7,	14:19.
kind 17:19, 17:21,	6:10, 6:14,	mean 10:14.
22:8, 23:13,	6:17, 6:19,	means 11:8,
23:24, 24:2,	6:20, 6:25,	28:13.
27:8.	7:12, 8:9, 8:10,	meant 19:2.
kinds 23:22.	8:12, 8:19,	mention 16:5,
knockout 22:9.	10:1, 11:1,	24:5.
knocks 16:4.	11:2, 17:19,	mentioned 10:20.
knows 8:24,	17:21, 17:22,	mentions 24:8.
21:17.	18:1, 18:14,	mere 25:24.
.	23:8, 23:25,	meritorious
.	25:14, 25:20,	25:16.
< L >.	25:24, 27:5,	Milliman 1:19,
lack 15:17,	29:19.	3:6, 3:12, 4:23,
20:13.	liquidators 7:10,	5:5, 5:8, 6:3,
laid 7:4.	11:14, 11:18,	6:19, 6:25,
land 8:4.	19:6.	9:19, 11:13,
language 5:25,	list 14:7.	12:3, 12:20,
8:15, 10:4,	litigate 8:20,	13:2, 15:16,
10:12, 17:17,	15:15, 16:22,	16:1, 18:8,
17:18.	17:23.	24:9, 24:10.
LAS 3:1.	litigation 21:6.	minute 13:22.
last 18:25,	litigation.	misapprehend
24:5.	8:14.	4:17.
latter 23:20.	little 15:25.	money 23:17,
laws 27:21,	LLP 4:22.	25:25.
27:22.	Look 12:23, 13:14,	morning 3:10.
lay 8:4.	13:16, 13:18,	MOTION 1:16, 3:12,
leave 10:10,	13:19, 14:5,	3:14, 3:21, 5:1,
25:3.	15:8, 17:17,	5:16, 9:23,
left 16:15.	19:3, 22:1,	13:20, 27:24,

<p>28:25, 29:10.  moved 9:21,  19:13.  multi-defendant  21:19.  Multiple 22:1,  22:18, 22:20.  myriad 29:14.  .  .  &lt; N &gt;.  NAA 5:25.  nail 13:11.  name 4:21.  National 7:11,  7:16.  necessarily 17:12,  28:3, 28:7,  29:14.  necessary 8:15,  8:16.  need 8:5, 27:1,  27:10, 29:10,  30:2, 30:16.  needs 20:17.  negligence 29:2.  Nevada 1:7, 1:10,  3:1, 3:5, 5:5,  5:18, 7:5, 8:11,  8:21, 9:3, 9:4,  9:8, 9:15,  12:16, 15:21,  18:1, 19:7,  19:9, 19:11,  19:18, 19:22,  19:23, 21:3,  21:4, 21:7,  21:14, 27:8,  30:11, 31:9.  New 3:12, 16:1,  16:2, 16:9,  26:1.  NHC 5:5, 5:8,  8:21, 18:9,  18:12.  Ninth 7:11, 7:20,  11:4, 22:11,  22:21, 23:4.  NO. 1:3, 1:35.  NO.A-17-760558-B</p>	<p>1:2.  non-binding  20:8.  non-signatory  11:3, 11:19,  11:23, 13:4.  none 19:11.  nonsense 16:7.  Nor 5:12, 18:7,  25:11.  normal 22:3,  30:17.  note 19:12.  noted 7:17.  nothing 17:18,  18:15, 19:8,  24:7.  noticed 19:21.  notion 6:16.  nuances 4:12.  Number 9:3, 10:23,  12:24, 15:5.  .  .  &lt; O &gt;.  objections 31:13,  31:16.  obligation  15:14.  obviously 4:11,  28:4.  occasion 26:18.  occurring 27:12,  28:3.  Ohio 12:25,  24:19.  Okay 13:2, 13:14,  13:21, 14:10,  15:13.  old 19:15.  on-point 6:3,  12:6, 19:11.  One 4:1, 6:1,  7:23, 9:3, 9:18,  10:19, 10:23,  10:24, 12:12,  13:9, 16:8,  18:2, 21:8,  21:10, 22:2,  24:8, 25:1,</p>	<p>26:12, 28:24.  one. 25:11.  opening 6:4, 6:6,  24:15.  operation 25:25.  opinion 3:23,  21:7.  opportunity 18:20,  26:9, 28:20,  30:13.  opposition 5:16,  28:3.  option 17:9.  order 7:24, 8:10,  8:16, 8:21,  8:22, 10:4,  10:12, 13:16,  14:3, 14:12,  16:17, 17:6,  17:17, 17:18,  18:15, 28:19,  29:11, 29:12,  30:7, 30:19.  otherwise 5:21,  8:17, 21:4,  22:4, 22:14,  26:24, 28:2,  28:18.  ought 16:8.  outside 8:11,  8:21, 13:12,  18:1, 29:24.  over-arbitrating  27:3.  overall 15:8.  oversees 9:17.  overstates 9:17.  own 4:7, 18:16,  21:22.  .  .  &lt; P &gt;.  Page 3:5, 13:20,  14:5, 29:3.  pages 11:5, 19:3,  20:4, 23:6.  panel 15:6,  26:13.  papers 5:16, 9:1,  22:25, 23:7,</p>
--	---	--

<p>23:14, 28:25.  parade 24:2.  paragraph 5:4,  8:23, 14:5.  part 9:20, 20:15,  26:12.  particular 26:19,  27:4.  particularly  21:19.  parties 4:5, 4:13,  5:10, 16:12,  24:18, 28:17,  29:20.  parts 16:22.  party 5:21, 6:22,  7:6, 10:2, 23:9,  25:12.  Pat 3:11.  PATRICK 2:7.  pay 14:24, 21:16,  26:23.  paying 21:21.  people 14:24.  per 29:2.  perceive 25:17,  28:1.  perceived 7:14.  performed 6:25,  15:19.  perhaps 30:16.  personal 27:1,  27:20, 28:21.  perspective 20:21,  20:22.  persuaded 28:13.  persuasion 20:9.  persuasive 20:8,  27:15, 30:7.  ph 14:7, 25:3.  place 13:1, 13:16,  14:11, 16:17,  31:12.  placed 14:6,  28:15.  plain 5:25, 17:17,  17:18.  Plaintiffs 18:11,  22:24.  play 10:15.</p>	<p>pleading 14:6.  pleadings 30:16.  please 3:7.  Point 7:16, 10:20,  10:23, 11:22,  20:6, 24:5.  pointed 28:25.  points 8:3.  policy 6:12,  11:10, 11:15,  12:5, 15:12,  16:21, 16:23,  22:9, 22:13,  25:24.  portions 7:7.  portray 6:7.  position 19:24.  possible 27:13,  27:16.  pot 23:18.  potential 25:17.  practical 20:22.  practice 18:16.  practiced 19:14.  pre-insolvency  10:3.  precedents 12:6,  27:14.  precluded 8:19.  preempted 27:11.  preempting  26:22.  preemption 14:16,  26:3.  prepare 28:19.  preparing 13:19.  presumption 11:11,  27:10, 27:18.  principles 15:9.  priorities  23:12.  probably 15:18.  procedural 16:6.  proceed 4:11.  proceeding 4:13,  4:14, 9:20,  9:21, 9:25,  10:6, 24:12,  25:10, 25:11,  25:13, 25:18.</p>	<p>proceedings 8:13,  9:23, 17:23,  31:11, 31:13,  31:17.  process 21:16.  pronouncements  11:15, 22:13.  property 13:17,  13:24, 13:25,  14:1, 14:6,  14:9.  proposition 13:5,  20:1, 23:7.  prosecute 8:12.  protect 12:17,  16:20.  proves 21:22.  provide 5:14.  provision 7:8,  15:22, 18:8,  18:10, 26:1.  provisions 4:1,  8:22, 10:14.  prudence 21:7.  PRUNTY 2:3, 3:8,  3:10, 30:19.  public 16:23,  22:9, 22:13.  purported 7:25.  purports 17:8.  purpose 16:23,  28:5.  purposes 20:12.  pursuant 6:25,  28:15.  pursue 8:21, 15:3,  18:1.  pushes 11:7.  put 8:8.  puts 6:14.  putting 19:21.  .  .  &lt; Q &gt;.  Quackenbush  22:12.  question 10:8,  17:25, 18:19,  18:22.  questions 16:11,</p>
---	--	---

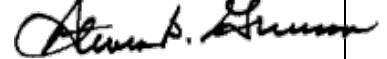
<p>16:16, 17:2, 18:18, 26:5. quibble 30:4. quote 7:7, 7:12, 8:12, 17:23, 25:1, 25:3, 28:12. . . &lt; R &gt;. raise 5:15, 24:1. raised 5:2, 25:2. raises 5:13, 6:2, 11:8, 21:10. raising 5:23, 24:3. rather 8:13. rational 26:4. re-insured 25:15. reach 6:8, 6:14. read 14:3, 14:4, 25:1, 28:12. real 21:20. Really 12:4, 13:10, 13:23, 17:11, 19:23, 20:10, 23:25, 24:23, 25:1, 25:5, 26:19, 26:22, 29:20, 29:25. reason 18:3, 18:7, 20:2, 22:3, 22:5, 22:19, 26:2. reasons 22:15, 24:21. rebuttal 10:11, 10:18, 12:9, 12:10, 26:7. receive 25:25. receiver 12:16, 14:1, 14:7, 17:9, 17:12, 26:20. receivership 9:1, 17:7.</p>	<p>recognition 17:10. recognize 22:24. reconcile 8:1. record 31:16. recorded 31:14. recover 23:17. red 14:16. referring 8:22. regard 29:6. regardless 29:21. regulating 28:5, 28:11. regulation 14:13, 23:10, 23:20. regulatory 14:18, 28:2. reinsurance 25:21. rejected 6:3, 6:16, 7:20, 23:3, 24:24, 25:2. rejecting 25:9. relate 5:7, 6:21, 28:7. related 9:10, 28:10. relationship 6:22. relevant 5:19. relying 17:6. remarks 6:6. remember 15:25, 19:14, 19:15. repeatedly 6:16. reply 6:4, 7:15, 11:5, 19:3, 20:4, 23:22, 24:14, 24:20. REPORTED 1:35. REPORTER 31:3, 31:8. REPORTER'S 1:14. Reporters 19:18. request 30:5, 30:12. require 30:5. required 9:14,</p>	<p>29:22. requires 19:9, 25:7. resolved 25:23. respectfully 30:5. respond 12:8, 18:20. response 10:11. responses 17:15. rest 26:19. reverse 14:16, 26:3, 26:22, 27:11. review 4:7. revoking 5:13. rid 22:19. rights 7:13, 15:11, 23:24, 25:15. Rivlin 3:18. room 7:24. roundly 24:23. Rule 7:4, 7:9, 10:20, 11:1, 11:2. ruling 29:6. rulings 24:7. ruminations 4:10. run 21:20, 22:16. runs 28:1. Ryland 7:5, 19:25. . . &lt; S &gt;. sanctity 18:5. saying 6:6, 21:14. says 14:6, 16:9, 17:6, 17:7. scheme 14:12, 14:18, 26:21, 28:2, 28:18. Schwartz 3:17. scope 29:2, 29:8. scorched 16:12,</p>
---	---	--

26:10.	24:10, 26:20,	States 23:10.
se 29:2.	29:23.	status 6:14.
Second 17:21.	situations 4:4,	statute 15:13,
secret 12:22.	23:23.	16:18, 17:7,
Sections 14:4.	Sixth 23:5.	27:18, 28:4,
secured 5:12.	skipped 15:25.	28:6, 28:8,
seeking 25:12,	smaller 25:23.	28:10, 29:4.
29:19.	sole 17:21.	statutes 19:7,
seem 13:3.	somehow 15:4,	20:12.
selection 9:5,	17:10, 20:23,	statutorily 7:9.
9:7, 18:10.	26:21, 29:11.	statutory 6:7,
serves 20:11.	someone 4:2.	11:2, 11:14,
Services 5:4, 9:3,	Sometimes 4:4,	14:12, 19:6,
18:13.	4:6, 19:22.	23:8, 23:25,
set 4:12, 16:8,	somewhat 27:20.	26:21, 28:18.
16:9, 27:14,	Sooter 25:3, 25:4,	stay 17:10.
31:12.	25:9.	stenographically
sets 30:10.	sophisticated 4:5,	31:14.
settled 6:8.	5:10, 12:20.	stepping 15:10.
settlement 6:15.	sophistication	straight 29:5.
settles 26:25.	15:18.	straightforward
several 5:23, 6:3,	sorry 19:20.	10:2, 23:8.
7:21, 23:3,	sort 4:11, 8:4,	stresses 25:20.
23:5.	14:16, 22:13.	stronger 27:19.
Sharon 1:35,	Southern 7:15.	struck 16:3.
31:27.	Southland 22:11.	stuff 19:18.
shelves 19:19.	specific 11:16,	sub-parts 17:8.
shoes 11:25,	12:5, 24:8,	submission
15:10, 29:17.	24:25.	30:14.
shouldn't 4:3,	square 26:4.	Subsection
15:18, 26:18.	squarely 6:2,	10:13.
show 11:12.	26:19, 27:9.	substantive
shows 15:17,	stacks 19:17.	16:6.
25:5.	stand 11:25, 13:5,	sue 7:6.
Shreve 4:24.	20:5, 23:7.	sued 9:2.
side 11:12, 17:13,	standing 29:16.	suffer 24:9,
19:12.	stands 10:25,	24:22, 24:23.
signs 29:12.	19:25.	suing 13:6.
similar 19:7,	start 4:25, 13:15,	suit 9:8, 25:11,
25:11.	17:3, 21:1.	25:14.
simply 6:13, 8:8,	started 4:16,	suited 20:17.
21:21, 23:17.	13:16, 16:17.	supercedes 12:3.
simultaneously	State 8:11, 8:13,	supersede 8:17,
7:7, 7:19.	8:21, 9:4, 9:11,	27:7.
single 6:1, 10:24,	11:16, 14:20,	support 15:4,
19:1.	18:1, 18:3,	17:13, 27:10.
situation 8:20,	20:5, 23:1,	supports 19:24.
20:12, 23:10,	23:20, 28:4,	suppose 21:16.
23:11, 23:13,	28:10, 29:3,	Supreme 5:20, 7:5,
23:19, 23:23,	30:10, 31:9.	21:3, 21:4,

21:7, 21:14,	totality 13:7.	undertaken
22:7, 22:8,	touched 15:1.	20:15.
22:21, 25:19,	touching 8:5.	undisputed 5:9.
27:13.	traditionally	unfair 15:17.
surprise 13:2.	21:6.	unfettered
surprised 15:18,	train 29:25.	17:19.
15:22.	TRAN 1:1.	unified 6:18.
system 4:9,	transcribed	unilateral
28:22.	31:15.	17:20.
.	TRANSCRIPT 1:14,	unique 20:15.
.	30:12, 30:17,	Unless 18:18,
< T >.	30:21.	20:5, 24:25,
talked 24:4.	Traurig 21:18.	26:4.
talks 12:23,	treated 9:12,	.
14:15.	18:5, 18:9.	.
tap 14:4.	tricky 26:12.	< V >.
technically	tries 6:7, 23:14,	valid 5:21, 8:17,
11:19.	24:13.	22:4, 22:9,
Tenth 13:1,	true 6:13, 6:14,	22:14.
14:17.	22:17, 25:20,	Van 4:24.
terms 11:13,	31:16.	vastly 9:16.
15:8.	try 9:22, 21:10,	VEGAS 3:1.
testimony 31:12,	23:15.	venue 18:10.
31:16.	trying 7:18,	vigilant 4:2.
thereafter	12:11, 12:15,	vindicating
31:14.	12:17, 12:18,	15:11.
therein 31:12.	18:11.	violation 29:3.
Third 6:22, 10:2,	TUESDAY 1:29,	virtue 6:9.
23:5, 23:9,	3:1.	visiting 19:13.
24:18, 25:2,	two 9:5, 10:23,	vitiate 5:21,
25:9, 26:2,	16:12, 17:15,	8:17, 10:21,
28:12, 28:16,	23:15.	12:12, 15:22,
29:20.	typical 6:8.	22:4, 22:5,
thorough 3:24,	typically 15:6.	22:14.
16:14, 26:8.	.	vitiates 12:7.
thoroughly 3:22.	.	vs 1:16, 3:6, 7:5,
though 13:3.	< U >.	7:11, 7:16,
thoughts 17:1.	ultimate 4:7.	19:25, 22:10.
thread 6:18.	ultimately 23:18,	.
threatens 23:11.	28:13, 30:10.	.
throughout 22:25,	unconscionable	< W >.
23:14.	5:11.	wait 10:18.
tie 8:18.	underlying 7:4.	walked 19:17.
titled 29:18.	underpinnings	walking 19:14.
today 3:19,	27:23.	wanted 10:9, 16:1,
9:18.	undersigned	18:20.
together 19:21.	31:8.	wants 7:13.
topic 18:23.	understand 12:21,	ways 17:9.
tort 6:23, 10:3,	29:5, 29:6.	weaker 27:19.
23:8, 24:17.	Understood 30:3.	weather 3:13,

3:16.  
 Welcome 3:20.  
 whatever 18:14.  
 wherever 17:3.  
 whom 29:16,  
     29:25.  
 will 12:8, 14:1,  
     23:17, 23:18,  
     24:9, 24:23,  
     25:16, 25:23,  
     27:3, 30:3.  
 wind 4:14.  
 within 4:8, 13:17,  
     26:21, 27:9,  
     29:2.  
 without 14:3,  
     15:3.  
 withstanding 5:24,  
     11:18, 11:19.  
 word 20:14.  
 wording 5:19.  
 work 6:24, 11:23,  
     12:1, 12:4,  
     15:13.  
 worked 29:11.  
 works 12:22.  
 Written 21:14.  
 .  
 .  
 < Y >.  
 years 26:14.  
 York 3:12, 16:1,  
     16:2, 16:9.





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14 **DISTRICT COURT**  
15 **CLARK COUNTY, NEVADA**

16 STATE OF NEVADA, EX REL.  
17 COMMISSIONER OF INSURANCE,  
18 BARBARA D. RICHARDSON, IN HER  
19 OFFICIAL CAPACITY AS RECEIVER FOR  
20 NEVADA HEALTH CO-OP,

21 Plaintiff,

22 vs.

23 MILLIMAN, INC., a Washington Corporation,  
24 JONATHAN L. SHREVE, an Individual;  
25 MARY VAN DER HEIJDE, an Individual;  
26 MILLENNIUM CONSULTING SERVICES,  
27 LLC, a North Carolina Corporation; LARSON  
28 & COMPANY P.C., a Utah professional  
corporation; DENNIS T. LARSON, an  
Individual; MARTHA HAYES, an Individual;  
INSUREMONKEY, INC., a Nevada  
Corporation; ALEX RIVLIN, an Individual;  
NEVADA HEALTH SOLUTIONS, LLC, a  
Nevada limited liability company; PAMELA  
EGAN, an Individual; BASIL C. DIBSIE, an  
Individual; LINDA MATTOON, an Individual;  
TOM ZUMTOBEL, an Individual; BOBBETTE  
BOND, an Individual; KATHLEEN SILVER,  
an Individual; DOES I through X inclusive; and  
ROE CORPORATIONS I-X, inclusive,

Defendants.

Case No. A-17-760558-C

Dept. No. XVIII

**MILLENNIUM CONSULTING  
SERVICES, LLC'S REPLY IN  
SUPPORT OF ITS MOTION TO  
DISMISS**

**Date of Hearing: January 16, 2018**

**Time of Hearing: 9:00 a.m.**

3993 Howard Hughes Pkwy, Suite 600  
Las Vegas, NV 89169-5996

**Lewis Roca**  
**ROTHGERBER CHRISTIE**

1     **I.       INTRODUCTION**

2             The Health Co-Op's opposition focuses on three principal issues:

3             The Majority Rule Is Assumption. This lawsuit proceeds under the Uniform Insurance  
4     Liquidation Act, NRS Chapter 696B. The Ninth Circuit and all courts but one considering forum-  
5     selection or arbitration provisions under this uniform act enforce such agreements against statutory  
6     receivers such as the Health Co-Op under the doctrine of assumption. This Court should also.  
7     The Health Co-Op's discussion of equitable estoppel, which it gleans from non-insurance cases, is  
8     inapplicable.

9             Nevada Policy. The Health Co-Op argues that various asserted Nevada policies forbid the  
10    application of the North Carolina forum-selection clause. However, the most important policy is  
11    that stated by the uniform act itself: its purpose is to ensure similar treatment of issues by all states  
12    that have adopted the law. This most relevant policy consideration is best achieved by adopting  
13    the overwhelming majority rule, which requires the enforcement of the North Carolina selection  
14    term.

15            The Forum Selection Clause Includes Tort Claims. The Health Co-Op says its tort claims  
16    fall outside the forum-selection clause's scope. However, the Service Agreement states that  
17    Millennium would indemnify for damages and costs for any negligent acts or violation of  
18    applicable professional, statutory standards (if any). Because the remedy for any torts arises out of  
19    the Service Agreement, the tort claims are also subject to the forum-selection clause.

20            This Court should enforce the North Carolina forum selection clause and dismiss this case  
21    in its entirety.

22     **II.       THE HEALTH CO-OP IS BOUND BY THE FORUM-SELECTION CLAUSE BECAUSE IT HAS**  
23     **SUED TO ENFORCE THE SERVICES AGREEMENT CONTAINING THAT CLAUSE**

24            This Court should enforce the North Carolina provision against the Health Co-Op even  
25    though it did not sign the Services Agreement because of the legal rule called assumption.

26     **A.       A Non-Signatory Is Bound by the Clauses of**  
27     **a Contract It Sues to Enforce by "Assumption"**

28            The title of this subsection is true law. The legal principle is called "assumption," and it  
29    signifies "the act of taking (esp. someone else's debt or other obligation) for oneself; the  
30    agreement to so take." *Black's Law Dictionary*, 120 (7th ed. 1999). If one assumes a contract by  
31    suing to enforce it, one assumes all of it. *E.g., Trans-Bay Eng'rs & Builders, Inc. v. Hills*, 551  
32    F.2d 370, 378 (D.C. Cir. 1976) (when, as here, nonsignatories bring suit against a signatory to  
33    enforce an agreement, they are "bound by the terms and conditions of the contract that [they]  
34    invoked."); *Ackman v. N. States Contracting Co.*, 110 F.2d 774, 776 (6th Cir. 1940) (stressing

1 that “[t]he principle is too elementary to require citation” that when plaintiffs “sue as third party  
2 beneficiaries” of a contract “[t]hey are therefore bound by the terms of the contracts.”).

3  
4 ***I. Assumption of Contracts Includes Forum-Selection and  
Choice-of-Law Clauses***

5 The assumption principle includes forum-selection, *e.g. Holland Am. Line Inc. v. Wärtsilä*  
6 *N. Am., Inc.*, 485 F.3d 450, 456-57 (9th Cir. 2007) (applying forum-selection clause against  
7 nonparties), and choice-of-law clauses, *e.g. Am. Patriot Ins. Agency, Inc. v. Mut. Risk Mgmt., Ltd.*,  
8 364 F.3d 884, 890 (7th Cir. 2004) (applying choice-of-law provision against nonparties). So while  
9 the Health Co-Op demands over and over for pages that “the general rule is that a party cannot be  
10 bound to a contract it did not sign (*e.g.*, Opp’n 10:14–15), by suing to enforce the Millennium  
11 Service Agreement, the Health Co-Op became a signatory as far as the law is concerned. In other  
12 words, the Court need not consider the “general rule” because an exception applies.

13 ***2. The Health Co-Op’s “General Rule” Cases Are Inapplicable***

14 While the Health Co-Op promotes a long string of cases to the effect that non-signatories  
15 are not bound to contracts (Opp’n 7:13–8.11), not one of those decisions concerns the issue here—  
16 the assumption effected by suing to enforce a contract. The Health Co-Op’s lead case, *County of*  
17 *Clark v. Bonanza No. 1*, 96 Nev. 643, 648-49, 615 P.2d 939, 943 (Nev. 1980), illustrates our point.  
18 There, the court simply ruled that a party that had not signed an indemnity agreement was not  
19 bound by it. This Court should enforce the North Carolina provision.

20 **III. THE HEALTH CO-OP’S ATTEMPTS TO MISLEAD THIS COURT ONLY REINFORCE**  
21 **THE PROPRIETY OF ENFORCING THE NORTH CAROLINA SELECTION TERM**

22 We know attorneys throw around the straw man fallacy pretty freely, but here the Health  
23 Co-Op really did it. The Health Co-Op spends pages arguing about “equitable estoppel,” charging  
24 that Millennium “hinted” (Opp’n 10:16) at this concept in its opening brief. Actually, the Health  
25 Co-Op assumed the clause by suing to enforce the Service Agreement containing the clause. The  
26 overwhelming majority of courts that have examined the question of forum-selection under the  
27 “assumption” rule have forced liquidating insurers to live up to forum-selection clauses.  
28

1 Millennium asks this Court to adopt the majority rule here and dismiss this lawsuit in favor of a  
2 North Carolina venue.

3 **A. Millennium Argued for “Assumption” Not “Equitable Estoppel”**

4 As the seminal case the Health Co-Op itself vaunts over and over shows, equitable  
5 estoppel is but one of five methods for enforcing clauses (in that case an arbitration clause) against  
6 non-signatories. “[V]arious courts have adopted theories for binding nonsignatories to arbitration  
7 agreements: 1) incorporation by reference; 2) *assumption*; 3) agency; 4) veil-piercing/alter ego;  
8 and estoppel.” *Truck Ins. Exchange v. Palmer J. Swanson, Inc.*, 124 Nev. 629., 635 189 P.3d 656,  
9 660 (2008) (emphasis supplied); *see also Ahlers v. Ryland Homes Nev., LLC*, 126 Nev. 688, 367  
10 P.3d 743 (2010) (unpublished) (repeating again the five modes for binding non-signatories to  
11 forum-selection clauses, including “assumption”).

12 The *Swanson* case explicitly refused to discuss “assumption” because the facts did not  
13 implicate that doctrine. *Swanson*, 124 Nev. 635, 635 189 P.3d 660. In that case, a Nevada law  
14 firm had an oral agreement for legal services with an insurance carrier; a legally separate but  
15 affiliated California law firm had a separate, written agreement to which the Nevada law firm was  
16 not a party. *Swanson*, 124 Nev. 632-33, 635 189 P.3d 658-59. When a dispute arose, the carrier  
17 attempted (but failed) to compel the Nevada law firm to arbitrate under the California firm’s  
18 written arbitration agreement, arguing alter ego and estoppel. *Swanson*, 124 Nev. 635-38, 635 189  
19 P.3d 660-62.

20 The death of this straw man has three important consequences. First, we will not defend  
21 an argument Millennium never made. So the Court need not concern itself with the  
22 “direct”/“indirect” benefit dichotomy that is a feature of “equitable estoppel” only, not  
23 “assumption.” (Though we must add that the Health Co-Op seeks a multi-million dollar judgment  
24 against Millennium and its co-defendants, and it is hard to image a more direct benefit than that.)  
25 Second, the real argument— “assumption”—is effectively unopposed, giving this Court additional  
26 grounds to grant this motion. *See* EDCR 2.20(e). And third we can again emphasize, in the  
27 following section, why “assumption” requires enforcement of the North Carolina selection clause  
28 here.

**B. The Vast Majority of Courts Enforce Form-Selection or Arbitration Clauses against Statutory Insurance Receivers Such as the Health Co-Op**

When the Health Co-Op sued Millennium, it assumed all of the obligations in the Service Agreement it seeks to enforce. When faced with similar circumstances, courts around the country have overwhelmingly required a statutory insurance liquidator to abide by forum-selection or arbitration clauses in contracts so assumed. The Ninth Circuit, for example stated “if a liquidator wants to enforce [the insurer’s] rights under its contract, she must also assume its perceived liabilities.” *Bennett v. Liberty Nat’l Fire Ins. Co.*, 968 F2d 969, 972 n.4 (9th Cir. 1992). This rule holds true whether insurance liquidators seek to enforce<sup>1</sup> or resist<sup>2</sup> forum-selection or arbitration provisions. Even the cases that the Health Co-Op urges upon this Court reach this same conclusion.<sup>3</sup>

**C. This Court Should Apply the Majority Rule and Enforce the North Carolina Selection Clause**

Several factors recommend this Court’s adoption of the majority rule.

***1. The Ninth Circuit Follows the Majority Rule***

We acknowledge that the Health Co-Op has located a single court, *Taylor v. Ernst & Young, L.L.P.*, 958 N.E. 2d 1203 (Ohio 2011), which declines to enforce an arbitration provision against a statutory insurance receiver. This Court should dismiss this stray precedent for three reasons. First, *Taylor* is the faraway minority position. While no Nevada court has weighed this cause, our Ninth Circuit follows the majority rule:

<sup>1</sup> See *Foster v. Chesapeake Ins. Co., Ltd.*, 933 F.2d 1207, 1216–19 (3rd Cir. 1991) (granting the Pennsylvania insurance commissioner’s motion to remand a case to state court in which commissioner, as receiver, sought \$4 million allegedly due under a reinsurance agreement that included a forum-selection clause eliminating the right to remove to federal court); *Dinallo v. Dunav Ins. Co.*, 672 F. Supp. 2d 368, 370–71 (S.D.N.Y. 2009) (same).

<sup>2</sup> *Garamendi v. Caldwell*, No. cv-91-5912, 1992 WL 203827, at \*3 (C.D. Cal. May 4, 1992) (“Plaintiff, as liquidator in the immediate case, is also empowered to bring claims which would have been allowed before taking possession of [the defunct insurer]. Therefore, it too should be subject to the same defenses as might have been brought had [the insurer] initiated the action. The Court finds that [liquidation receiver] is subject to the arbitration provision.”); *Koken v. Cologne Reins. (Barbados), Ltd.*, 265, 272-75 (D. Vt. 1993) (same); *Rich v. Cantilo & Bennett*, 492 S.W.3d 755, 762 (Tex. Ct. App. 2016) (same); *State vs. O’Dom*, No. 15-cv-258501, 2015 WL 10384362, at \*3-4 (Ga. Super. Ct. Sept. 18, 2015) (same).

<sup>3</sup> *Javitch v. First Union Sec., Inc.*, 315 F.3d 619, 627 (6th Cir. 2003) (cited at Opp’n 11) (holding that the statutory receiver was “bound to the arbitration agreement to the same extent that the receivership entities would have been absent the appointment of the receiver.”); see also *Javitch v. First Union Sec.*, No. 3:01-cv-780, 2001 WL 665727, at \*4 (N.D. Ohio Feb. 15 2011) (compelling arbitration on remand because the “Receiver cannot both seek to benefit in the suit crated by those agreements, while disavowing the arbitration provisions.”).

1 As the liquidator of FPIC, the Commissioner ultimately seeks to enforce  
2 contractual provisions requiring the payment of reinsurance proceeds, yet on the  
3 other hand, he seeks to avoid enforcement of arbitration provisions contained in the  
4 same contracts. *This inconsistent approach has been rejected by the Ninth Circuit,*  
*as well as other circuit courts.* If a liquidator seeks to enforce an insolvent  
company's rights under a contract, he must also suffer that company's contractual  
liabilities.

5 *Poizner v. Nat'l Indem. Co.*, No. 08-cv-772, 2009 WL 10671673, at \*2 (S.D. Cal. Jan. 6, 2009)  
6 (emphasis supplied) (citing *Quackenbush v. Allstate Ins. Co.*, 121 F.3d 1372, 1380 (9th Cir. Cal.  
7 1997); *Bennett*, 968 F.2d 972 n.4 (citing state cases holding same); *Selcke v. New England Ins.*  
8 *Co.*, 995 F.2d 688 (7th Cir. 1993) (holding liquidator of insolvent insurer bound to pre-insolvency  
9 arbitration agreement with reinsurer)).

## 10 **2. Bankruptcy Courts Follow the Majority Rule**

11 Second, federal bankruptcy law enforces arbitration against trustees who assume pre-  
12 bankruptcy contracts. *E.g.*, *Garamendi*, 1992 WL 203827, at \*3. Traditional bankruptcy courts  
13 face the same concerns that the Health Co-Op emphasizes in its opposition, namely that the trustee  
14 represents all creditors to maximize recovery for persons who can no longer, because of the  
15 bankruptcy automatic stay, sue the bankrupt directly. The same rule that applies in bankruptcy  
16 court should apply to insurance insolvency lawsuits because they concern similar subject matters.

## 17 **3. Predictability Is the Most Important Policy Consideration**

18 Finally, the policy of upholding parties' "settled expectations," *Atl. Marine Constr. Co. v.*  
19 *United States Dist. Ct.*, 134 S. Ct. 568, 580 (2013)—a chief motivator for enforcing venue  
20 provisions as recognized by the High Court—is more critical than the competing policy of receiver  
21 convenience. While the Health Co-Op does indeed represent policy holders and creditors, none of  
22 those persons are actually in court. Whether the case is litigated here or in North Carolina makes  
23 no difference to these persons. And the receiver herself should not have expected to litigate her  
24 offensive claims in Nevada only: nothing in Nevada's insolvency statute or the cases addressing  
25 this uniform act dictate such a result and the order appointing her specifically contemplates  
26 litigation in "any jurisdiction." On the other hand, Millennium is a small business, and it would  
27 not have executed the Service Agreement without assurance of litigation at its headquarters where  
28 it conducted its business, including the work for the Health Co-Op.

1 **IV. THE ORDER FROM DEPARTMENT I APPOINTING THE RECEIVER**  
2 **DOES NOT FORBID APPLICATION OF THE FORUM SELECTION CLAUSE**

3 The Health Co-Op attempts for three pages to undermine Millennium's position that noting  
4 in NRS Chapter 696B mandates that a Nevada court have exclusive jurisdiction over this case.  
5 (Opp'n 12-15.) The Nevada statutes the Health Co-Op quotes, however, relate to the  
6 rehabilitation and liquidation proceedings that have been pending for over two years now in  
7 Department I, not to the *offensive* claims against Millennium in this new lawsuit. The statutes do  
8 empower the receiver to enjoin claims made against the bankrupt insurer and consolidate those  
9 claims into one Nevada action, a fact we ourselves emphasized in the our opening motion.  
10 However, there simply is no provision in statute that compels *offensive* claims made by the  
11 receiver to be litigated in Nevada. We guarantee it does not exist.

12 The decisions the Health Co-Op promotes also relate to *defensive* claims against a  
13 bankrupt insurer. For example, there is no danger of "unequal treatment of claimants" or  
14 "conflicting rulings," to single out some of its parade of horrors (Opp'n 12:20-22), if the parties  
15 litigate the Millennium claims in North Carolina. In that case, the asset marshaling and  
16 distribution to creditors according to statutory priority will continue unchanged here in Nevada.

17 Enforcing the North Carolina venue term will also give effect to all provisions Department  
18 I's prior order. In the liquidation case, Department I itself of this Court repeatedly stressed in its  
19 order appointing the Commissioner as receiver that she had power to file lawsuits "in other  
20 jurisdictions" and "in this state or elsewhere." (See 10/14/15 Permanent Injunction and Order  
21 Appointing Commissioner as Permanent Receiver of Nevada Health Co-Op, on file in case  
22 number A-15-725244-C, §§ 14(a), 14(h).) "When a court is called on to choose between a  
23 construction which gives significance to all clauses of an order and another which makes one of  
24 the clauses meaningless, the former is preferred." 60 C.J.S. MOTIONS AND ORDERS § 74 (Westlaw  
25 2018). If this Court rules in the Health Co-Op's favor, the multiple provisions of the receiver  
26 appointment order allowing for litigation in all jurisdictions will be rendered meaningless.



1 **V. NEVADA POLICY DOES NOT INVALIDATE**  
2 **THE CHOICE-OF-LAW PROVISION, IT AFFIRMS IT**

3 One of the purposes of Nevada’s adopting the Uniform Insurance Liquidation Act  
4 (“UILA”) was to “to make uniform the laws of those states which enact it.” NRS 696B.280; *see*  
5 *also Frontier Ins. Serv. Inc. v. State ex rel. Gates*, 109 Nev. 231, 235, 849 P.2d 328, 331 (1993)  
6 (same). As shown above, the overwhelming majority of states and courts require enforcement of  
7 forum-selection or arbitration clauses. The Health Co-Op spends five pages of briefing arguing  
8 that the choice-of-law and forum selection clauses are “invalid” under sundry Nevada decisions  
9 and asserted Nevada policies that have nothing to do with the UILA in general and say nothing  
10 about forum-selection clauses in particular. (Opp’n 14–18.) This extended argument misses the  
11 relevant point.

12 If the forum-selection clause at issue here were such wicked policy, then its exact  
13 analogues in the majority of cases across this entire nation that have considered this precise issue  
14 would not have been upheld. But they were. Millennium is asking this Court to adopt the far-and-  
15 away majority approach. The most directly relevant Nevada policy for this Court’s consideration  
16 is that to make “uniform the laws of the states,” including Nevada, that have enacted this uniform  
17 law. *See Integrity Ins. Co. v. Martin*, 105 Nev. 16, 19, 769 P.2d 69, 70 (1989) (reversing the trial  
18 court summary judgment because “[a]ny other interpretation of the UILA would frustrate its  
19 purpose to make uniform the laws of those states which enact it.”). Following the well-reasoned  
20 majority position most minimizes the chances of this Court’s reversal and promotes the most  
21 relevant policy consideration—uniformity.

22 **VI. THIS COURT SHOULD FIND THAT ALL THE TORT**  
23 **CLAIMS ALSO FALL WITHIN THE AMBIT OF THE NORTH CAROLINA**  
24 **SELECTION CLAUSE AND DISMISS THE ENTIRE ACTION**

25 The Service Agreement provides that “[v]enue for its enforcement or any action or  
26 proceeding based on this Agreement shall be in Wake County, North Carolina.” (Exhibit 1 to  
27 Millennium’s opening motion, on file herein, § 8.4.) The parties agree that seven of the eleven  
28 claims lodged against Millennium sound in tort. (Opp’n 21:26.)



1 The tort claims are “based on” the Service Agreement because the parties intended for the  
2 contract to be the exclusive method of relief for tort-related harms. The Service Agreement  
3 contains a mutual indemnification clause that covers all torts. It states that

4 [Millennium] shall indemnify and hold [the Health Co-Op] harmless for losses,  
5 costs, and expenses, including reasonable attorney fees, arising in connection with  
the following:

6 7.1.1 the *negligence or misconduct* by [Millennium];

7 7.1.3 any violation or alleged violation by [Millennium] or its employees of  
8 *applicable federal, state and local laws or regulations* . . . .

9 7.1.4 [the Health Co-Op] shall hold harmless and indemnify [Millennium]  
10 from and against any and all claims or causes of action for damages arising out of  
[the Health Co-Op’s] providing inaccurate written information to [Millennium]  
11 which [Millennium] uses in connection with the services provided by [Millennium]  
under this agreement.

12 (Exhibit 1 to Millennium’s opening motion, on file herein, § 7.1. (emphasis supplied).) When the  
13 bargain was struck, the parties agreed that—if Millennium was culpable, which it denies—it  
14 would indemnify the Health Co-Op pursuant to Services Agreement section 7.1

15 Sure the Health Co-Op repeats in the complaint and its motion Millennium’s supposed  
16 violation of unidentified “statutory and professional standards,” which it invokes five times alone  
17 in its opposition to describe its torts claims. (Opp’n 19–21.) But, whatever these mystery  
18 standards are (and we think they do not exist or they would be explicit), they provide no remedy to  
19 the Health Co-Op in and of themselves. If there were any violations of Nevada law or  
20 professional duties (there are not), the remedy would come from the Services Agreement’s  
21 indemnity provision, which reimburses all damages and costs for negligence or statutory  
22 violations. Therefore all the torts the Health Co-Op lodges are “based upon” the Services  
23 Agreement and subject to its forum-selection clause. Another straw man has died.

24 The cases that interpret the scope of forum-selection clauses command courts to look first  
25 to the parties’ intent. *See Tuxedo Int’l Inc. v. Rosenberg*, 127 Nev. 11, 22, 251 P.3d 690, 697  
26 (2011) (requiring courts to first look to the parties’ intent, based on the language of the forum  
27 selection clause, to determine whether such a clause will apply to torts claims).<sup>4</sup> The Health Co-

28 <sup>4</sup> We do not concede that Nevada law applies to construe the scope of the forum-selection clause. However, the result  
is no different under North Carolina law. *See, e.g., Speedway Motorsports v. Bronwen Energy Trading*, 2009 WL

Op’s argument misses because it ignores the indemnity clause and examines the forum-selection term in isolation without consideration of all applicable terms. Of course, this Court must consider all relevant provisions. *See Rosenberg*, 127 Nev. 24, 251 P.3d 698 (analyzing not just the forum-selection clause itself but also several other related contractual provisions). This Court should reject the Health Co-Op’s attempt to render this clause “meaningless by allowing parties to disingenuously back out of their contractual obligations through attempts at artful pleading.” *Rosenberg*, 127 Nev. 15, 251 P.3d 693 (citing *Lambert v. Kysar*, 983 F.2d 1110 (1st Cir. 1993) (rejecting arguments that tort-based claims related to a contract are not subject to a contractual forum selection clause on this basis)).

Even if looking at the text itself did not resolve the question, analysis of the Tuxedo court’s “secondary factors” would also bring the torts within the selection clause’s scope. *See Rosenberg*, 127 Nev. 25, 251 P.3d 699. The Ninth Circuit rule asks whether “resolution of the tort-based claims pleaded by the plaintiff relates to the interpretation of the contract, and if they are, then the claims are within the scope of the forum selection clause.” *Rosenberg*, 127 Nev. 25, 251 P.3d 699 (citing *Manetti–Farrow, Inc. v. Gucci America, Inc.*, 858 F.2d 509, 514 (9th Cir. 1988)). Here, the alleged violations of unidentified statutes provide no remedy; the indemnity clause is the remedy; securing this remedy thus “relates” to the Service Agreement.

Finally, the last-ditch interpretation method, the First Circuit rule, asks whether the plaintiff “could have brought a parallel breach of contract claim and yet did not” and “whether the plaintiff’s cause of action directly concerns the formation or enforcement of the contract containing the forum selection clause.” *Rosenberg*, 127 Nev. 25, 251 P.3d 699 (citing 2011) (*Lambert*, 983 F.2d at 1121–22). Here of course, the Health Co-Op did bring contract claims. The complaint itself categorizes Millennium’s claimed sins under a heading that reads “Millennium Fails to Live Up to Its Contractual Obligations” and which concludes by summarizing that “Millennium failed to perform its work in accordance with the NAIC rules prescribed and permitted by the State of Nevada, as required by the Service Agreement.” (Compl. ¶ 157.) In the complaint, the Health Co-Op describes the alleged torts in terms of a failure to live

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406688, at \*17 (N.C. Super. Ct. Feb. 18, 2009) (construing a forum-selection clause to include tort claims because it’s “plain language . . . easily encompasses [the tort claims] because they have their genesis in” the contracts sued upon).

up to professional standards as promised in the Service Agreement. Under any rubric, this Court should find the torts within the North Carolina litigation clause's scope.

VII. CONCLUSION

This entire lawsuit should therefore be dismissed so that it can be litigated in North Carolina.

DATED this 9th day of January, 2018.

LEWIS ROCA ROTHGERBER CHRISTIE LLP

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**CERTIFICATE OF SERVICE**

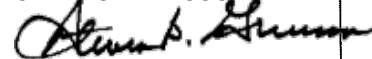
Pursuant to N.R.C.P., 5(b), I hereby certify that on the 9th day of January, 2018, I electronically filed the foregoing document with the Clerk of the Court and caused a true and accurate copy of the same to be served via Court's E-Filing Systems upon the following counsel of record.

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DATED this 9th day of January, 2018.

/s/ Luz Horvath

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*Attorneys for Defendants Milliman, Inc.,  
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EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

STATE OF NEVADA, EX REL.  
COMMISSIONER OF INSURANCE,  
BARBARA D. RICHARDSON, IN HER  
OFFICIAL CAPACITY AS RECEIVER FOR  
NEVADA HEALTH CO-OP,

Plaintiff,

vs.

MILLIMAN, INC., a Washington Corporation;  
JONATHAN L. SHREVE, an Individual; MARY  
VAN DER HEIJDE, an Individual;  
MILLENNIUM CONSULTING SERVICES,  
LLC, a North Carolina Corporation; LARSON &  
COMPANY P.C., a Utah Professional  
Corporation; DENNIS T. LARSON, an  
Individual; MARTHA HAYES, an Individual;  
INSUREMONKEY, INC., a Nevada Corporation;  
ALEX RIVLIN, an Individual; NEVADA  
HEALTH SOLUTIONS, LLC, a Nevada Limited  
Liability Company; PAMELA EGAN, an

Case No. A-17-760558-B

Dept. No. 25

**ORDER GRANTING MILLIMAN'S  
MOTION TO COMPEL ARBITRATION**

JAN 31 2018

1 Individual; BASIL C. DIBSIE, an Individual; )  
2 LINDA MATTOON, an Individual; TOM )  
3 ZUMTOBEL, an Individual; BOBBETTE )  
4 BOND, an Individual; KATHLEEN SILVER, an )  
Individual; DOES I through X, inclusive; and )  
ROE CORPORATIONS I-X, inclusive, )  
Defendants.

6 The Motion To Compel Arbitration of defendants Milliman, Inc., Jonathan L. Shreve and  
7 Mary Van Der Heijde (collectively for purposes of this Motion only, “Milliman”) came on for  
8 hearing before this Honorable Court on January 9, 2018. Justin N. Kattan, Esq. of Dentons US  
9 LLP and Patrick Byrne, Esq. of Snell & Wilmer, L.L.P., appeared on behalf of Milliman; Mark E.  
10 Ferrario, Esq., of Greenberg Traurig, LLP appeared on behalf of the Commissioner of Insurance,  
11 Barbara D. Richardson, in her official capacity as Receiver (“Plaintiff” or the “Liquidator”) for  
12 Nevada Health CO-OP (“NHC”). The Court, having reviewed and considered the papers  
13 submitted by the parties and heard the argument of counsel, and otherwise being fully apprised in  
14 the premises and good cause appearing therefor, hereby GRANTS Milliman’s Motion, for the  
15 reasons set forth herein:  
16

17  
18 **A. The Nevada Health CO-OP**

19 NHC was established under the Patient Protection and Affordable Care Act in October  
20 2012. NHC experienced such financial hardship that insolvency proceedings before Department I  
21 of this Court were instituted in September 2015. By Order dated October 14, 2015 (the  
22 “Receivership Order”), the Court appointed Plaintiff as NHC’s Permanent Receiver, and vested  
23 Plaintiff with exclusive title to all of NHC’s property, including NHC’s “contract rights.”  
24 (Receivership Order, §2(c)). The Order further authorized Plaintiff to “initiate and maintain  
25 actions at law or equity or any other type of action or proceeding of any nature, in this and other  
26 jurisdictions,” and to “[i]nstitute and prosecute ... any and all suits and other legal proceedings.”  
27  
28 *Id.* § 14(a), (h).

1 By order dated September 21, 2016, Plaintiff was authorized “to liquidate the business of  
2 NHC and wind up its ceased operations pursuant to” the Nevada Liquidation Act.

3 **B. The Applicable Arbitration Provision**

4 Plaintiff’s claims all seek monetary damages arising from Milliman’s performance of  
5 actuarial and consulting services pursuant to an October 20, 2011 Consulting Services Agreement  
6 (the “Agreement”) entered into by Culinary Health Fund and Milliman.<sup>1</sup> Paragraph 5 of the  
7 Agreement contains a broad and unambiguous arbitration provision, which states, in relevant part:  
8

9 DISPUTES. In the event of any dispute arising out of or relating to the  
10 engagement of Milliman by Company, the parties agree that the dispute  
11 will be resolved by final and binding arbitration under the Commercial  
Arbitration Rules of the American Arbitration Association.

12 This provision is prominently featured as part of the main body of the contract. The  
13 Agreement was executed by sophisticated parties, with experience in their respective fields, and  
14 with access to counsel.

15 **C. The Arbitration Provision in the Agreement is Valid and Enforceable, Reflecting**  
16 **The Strong Presumption Favoring Arbitration Under Federal and Nevada Law**

17 The arbitration clause in the Agreement is fully valid and enforceable. Both the Nevada  
18 Arbitration Act (“NAA”), NRS 38.206, *et seq.*, and the Federal Arbitration Act (“FAA”), 9 U.S.C.  
19 § 1, *et seq.*, contain virtually identical language mandating that contractual arbitration clauses are  
20 fully “valid, irrevocable, and enforceable, save upon which grounds as exist at law or in equity for  
21 the revocation of any contract.” Both the NAA and FAA express a “fundamental policy favoring  
22 the enforceability of arbitration agreements.” *Tallman v. Eighth Jud. Dist. Ct.*, 131 Nev. Adv. Op.  
23 71, 359 P.3d 113, 118 (2015); *State ex rel. Masto v. Second Judicial Dist. Court ex rel. Cty. of*  
24 *Washoe*, 125 Nev. 37, 44, 199 P.3d 828, 832 (2009). The “strong presumption in favor of  
25

26  
27 <sup>1</sup> Culinary Health Fund later created Hospitality Health, Ltd. and “assigned and transferred all  
28 rights, title, and interest” in the Agreement to Hospitality Health, Ltd. Hospitality Health, Ltd.  
subsequently assigned all of its assets and agreements, including the Agreement, to NHC.

1 arbitrability applies with even greater force” where, as here, “a broad arbitration clause is at  
2 issue.” *Rodriguez, v. AT&T Servs., Inc.*, No. 2:14-cv-01537, 2015 WL 6163428, at \* 9 (D. Nev.  
3 Oct. 20, 2015) (citations omitted).

4 The exception in the NAA and FAA for "grounds as exist at law or in equity for the  
5 revocation of any contract" does not apply here. The U.S. Supreme Court has defined that phrase  
6 to mean that only "generally applicable contract defenses, such as fraud, duress, or  
7 unconscionability, may be applied to invalidate arbitration agreements without contravening § 2"  
8 of the FAA. *Doctor's Assocs. v. Casarotto*, 517 U.S. 681, 687 (1996); *Bradley v. Harris*  
9 *Research, Inc.*, 275 F.3d 884, 892 (9th Cir. 2001). Plaintiff neither pled any such grounds to  
10 revoke the Agreement in the Complaint nor raised any such grounds in her opposition to the  
11 Motion.  
12

13 Since Milliman has established the existence of a valid arbitration agreement, it is  
14 Plaintiff's burden to establish a defense to enforcement. *Gonski v. Second Judicial Dist. Court of*  
15 *State ex rel. Washoe*, 126 Nev. 551, 245 P.3d 1164, 1168-69 (2010). Plaintiff fails to do so.  
16

17 **D. All of Plaintiff's Claims Arise from and Relate Directly to Milliman's Work Under**  
18 **the Agreement**

19 Plaintiff's claims all arise from and relate to the Agreement because, but for the  
20 Agreement and the work Milliman did for NHC pursuant to it, Plaintiff would have no claims  
21 whatsoever. Plaintiff's Complaint identifies the contracted-for work that Milliman performed,  
22 including “providing certification required pursuant to NRS 681B, conducting a feasibility study,  
23 providing business plan support, assisting NHC in setting premium rates, [and] participating in  
24 the preparation of financial reports and information to regulators.” (Complaint, ¶ 334). Every  
25 cause of action Plaintiff brings, whether styled in tort or contract, is based on Milliman's alleged  
26 wrongful conduct in performing one or more of these services.  
27  
28



**E. Because the Plaintiff's Claims Arise Under and Relate to the Agreement, Plaintiff Is Bound by the Agreement's Arbitration Clause**

The Nevada Supreme Court has held that where a plaintiff "is seeking to enforce rights under [an] agreement, it cannot simultaneously avoid other portions of the agreement, such as the arbitration provision." *Ahlers v. Ryland Homes*, 126 Nev. 688, 367 P.3d 743 (2010) (unpublished). Otherwise, "to allow [a plaintiff] to claim the benefit of the contract and simultaneously avoid its burdens would both disregard equity and contravene the purposes underlying enactment of the Arbitration Act." *Id.* at \*2.

This rule applies with equal force to claims brought by a statutory liquidator or receiver. That Plaintiff is herself a non-signatory to the Agreement is irrelevant. Because Plaintiff's claims arise from Milliman's work done pursuant to the Agreement, Plaintiff is bound to that Agreement, including any applicable arbitration clause, just like the insolvent insurer would have been. *See, e.g., Bennett v. Liberty Nat. Fire Ins. Co.*, 968 F.2d 969, 972 n.4 (9th Cir. 1992) (enforcing contractual arbitration clause and stating that "if the liquidator wants to enforce [the insurer's] rights under its contract, she must also assume its perceived liabilities"); *Rich v. Cantilo & Bennett, L.L.P.*, 492 S.W.3d 755, 762 (Tex. Ct. App. 2016) (same); *Poizner v. Nat. Indem. Co.*, No. 08CV772-MMA, 2009 WL 10671673, at \*2 (S.D. Cal. Jan. 6, 2009) (enforcing arbitration clause against insurance liquidator); *Garamendi v. Caldwell*, No. CV-91-5912-RSWL(EEX), 1992 WL 203827, at \*3 (C.D. Cal. May 4, 1992) (same); *Koken v. Cologne Reins. (Barbados) Ltd.*, 34 F. Supp. 2d 240 (M.D. Pa. 1999) (same); *Costle v. Fremont Indem. Co.*, 839 F. Supp. 265, 272-75 (D. Vt. 1993) (same); *State v. O'Dom*, No. 2015CV258501, 2015 WL 10384362, at \*3-4 (Ga. Super. Sept. 18, 2015) (same).

It is irrelevant that Plaintiff styles certain of her claims in tort rather than contract. Where, as here, a plaintiff's tort, contract and statutory claims relate to and arise from the work done pursuant to the contractual relationship, they all should be arbitrated together. *See Phillips v.*

1 *Parker*, 106 Nev. 415, 417, 794 P.2d 716, 718 (1990) (compelling arbitration of tort and RICO  
2 claims that “relate to” agreement containing arbitration provision where plaintiff’s “basis for  
3 claiming injury and grounds for redress stem from rights he allegedly received pursuant to the  
4 agreement”); *Helfstein v. UI Supplies*, 127 Nev. 1140, 373 P.3d 921, at \*2 (2011) (unpublished)  
5 (granting motion to compel arbitration of tort and contract claims and stating that “if the  
6 allegations underlying the claims so much as touch matters covered by the parties’ agreements,  
7 then those claims must be arbitrated” (citation omitted)); *Rodriguez, v. AT&T Servs., Inc.*, No.  
8 2:14-cv-01537, 2015 WL 6163428, at \* 8 (D. Nev. Oct. 20, 2015) (“[S]o long as the phone call  
9 that allegedly triggered the offending credit inquiry collaterally touches upon the Business  
10 Agreement or has some roots in the contractual relationship between the parties, Plaintiff’s claims  
11 fall within the scope of the arbitration provision.”).

12  
13  
14 **F. Plaintiff’s Claims Against Milliman Are Pre-Insolvency, Common Law Damages  
Claims that Belonged to NHC, And Need Not Be Brought in the Liquidation Court**

15 Plaintiff argues that, as Liquidator, she is bringing claims “on behalf of” creditors and  
16 policyholders, and therefore she does not stand strictly in the shoes of the insolvent insurer. She  
17 further contends that these claims must be brought in the liquidation court, and are not  
18 constrained by any contractual provisions that would have limited NHC. While it is true that  
19 virtually everything the Liquidator does is for the benefit of the insolvent insured’s creditors and  
20 policyholders, this does not mean that the Liquidator may ignore and avoid the contractual,  
21 statutory, and judicial limitations applicable to the particular claims she brings against Milliman.  
22

23 There is a distinction between claims that belong to the creditors and policyholders of an  
24 insolvent insurer, on the one hand, as distinct from claims that belong to the insolvent insurer,  
25 where any recovery would increase the coffers of the estate, and therefore benefit the estate’s  
26 creditors and policyholders, on the other hand. Plaintiff’s claims fall within the latter category,  
27 and therefore are arbitrable.  
28

1 All of Plaintiff's claims here belonged only to NHC because they are ordinary common  
2 law and contractual damages claims based on NHC's pre-insolvency rights. Plaintiff seeks  
3 monetary damages from Milliman, not the return of NHC assets, and not the clawing back and  
4 redistribution among creditors of estate assets. Plaintiff's action against Milliman does not  
5 involve set offs, or proofs of claim, or claims arising from the Nevada liquidation statute. This  
6 case is separate and distinct from the ongoing Receivership Action and it neither threatens or  
7 states an interest in NHC assets or property, nor will it affect any creditors' rights. Plaintiff has  
8 not pled any viable causes of action that actually belong to NHC's creditors.

10 This Court is thus persuaded that arbitrating Plaintiff's damages claims against Milliman  
11 will not interfere with, invalidate, impair or supersede this state's statutory liquidation scheme,  
12 the NHC liquidation proceedings, or the State's regulation of insurance. *See, e.g., Bennett, supra*,  
13 968 F.2d at 972 (stating that if a "dispute is in essence a contractual one, it should be arbitrated.  
14 And because the liquidator, who stands in the shoes of the insolvent insurer, is attempting to  
15 enforce [the insurer's] contractual rights, she is bound by [the insurer's] pre-insolvency  
16 agreements"); *Quackenbush v. Allstate Ins. Co.*, 121 F.3d 1372, 1381-82 (9th Cir. 1997) (same);  
17 *Suter v. Munich Reins. Co.*, 223 F.3d 150, 161 (3d Cir. 2000) ("It is true, as the Liquidator  
18 stresses, that if the District Court or an arbitrator should decide the reinsurance agreement does  
19 not cover the disputed expenses, the estate will be smaller than if that issue was resolved in the  
20 Liquidator's favor. But the mere fact that policyholders may receive less money does not impair  
21 the operation of any provision of New Jersey's Liquidation Act."); *Koken, supra*, 34 F. Supp. 2d  
22 at 247; *see also Hays & Co. v. Merrill Lynch, Pierce, Fenner & Smith, Inc.*, 885 F.2d 1149, 1154  
23 (3d Cir. 1989) (holding that bankruptcy trustee's claims against debtor's securities broker for  
24 state and federal securities violations were arbitrable because they were based on debtor's pre-  
25 bankruptcy rights, and did not arise from the Bankruptcy Code).

1 While creditors or policyholders may “benefit” from monetary damages the Liquidator  
2 recovers from third parties, in that such recoveries increase the coffers of NHC’s estate, the  
3 claims here do not “belong” to NHC’s creditors or policyholders, do not implicate a state’s  
4 regulation of insurance, and need not be brought in the liquidation court.

5  
6 While Plaintiff asserts that it would be unfair to NHC’s creditors and policyholders to  
7 enforce the arbitration clause, because it limits the scope of discovery and precludes punitive  
8 damages, this Court cannot vitiate an otherwise valid arbitration clause simply to improve the  
9 perceived strength of Plaintiff’s case. Plaintiff’s argument also contravenes the Nevada Supreme  
10 Court’s express recognition that the cost savings and efficiency of streamlined discovery in  
11 arbitration will inure to the benefit of the State and NHC’s creditors. *D.R. Horton, Inc.*, 120 Nev.  
12 at 553, 96 P.3d at 1162. (“[A]rbitration generally avoids the higher costs and longer time periods  
13 associated with traditional litigation.”).

14  
15 **G. The McCarran-Ferguson Act does not reverse preempt the Federal Arbitration Act**

16 Finally, the Nevada Liquidation Act does not reverse-preempt the FAA under the  
17 McCarran-Ferguson Act, 15 U.S.C. §§ 1011-1015. The standard for reverse preemption is not  
18 satisfied here because forcing a statutory liquidator to arbitrate ordinary, pre-insolvency breach of  
19 contract and tort claims, such as Plaintiff’s damages claims against Milliman, neither implicates  
20 the business of insurance nor interferes with the liquidator’s statutory function. *Quackenbush*,  
21 *supra*, 121 F.3d at 1381-82; *AmSouth Bank v. Dale*, 386 F.3d 763, 783 (6th Cir. 2004) (finding no  
22 reverse preemption where liquidator’s “ordinary [tort and contract] suit against a tortfeasor” did  
23 not implicate the “regulation of the business of insurance”); *Grode v. Mut. Fire, Marine and*  
24 *Inland Ins. Co.*, 8 F.3d 953, 959–60 (3d Cir. 1993) (finding no reverse preemption because  
25 liquidator’s “[s]imple contract and tort actions” against third party have “nothing to do with [the  
26 State’s] regulation of insurance”); *Koken, supra*, 34 F. Supp. 2d at 247 (granting motion to  
27  
28

1 compel arbitration where “this action has nothing to do with Pennsylvania’s statutory scheme for  
2 the regulation of the business of insurance because it is not an action against an insolvent  
3 insurer’s estate that might deprive it of assets; instead, it is an action by the Liquidator against a  
4 third party, here a reinsurer for the insolvent insurer, to recover money for the estate on a breach-  
5 of-contract claim”); *Midwest Employers Cas. Co. v. Legion Ins. Co.*, No. 4:07CV870 CDP, 2007  
6 WL 3352339, at \*5 (E.D. Mo. Nov. 7, 2007) (“The ultimate issue in this case is a standard  
7 contract dispute, so the case does not involve the state’s regulation of insurance.”); *Northwestern*  
8 *Corp. v. Nat’l Union Fire Ins. Co. of Pittsburgh, PA*, 321 B.R. 120, 126 (Bankr. D. Del. 2005);  
9 *Nichols v. Vesta Fire Ins. Corp.*, 56 F. Supp. 2d 778, 780 (E.D. Ky. 1999); *Costle*, 839 F. Supp. at  
10 275. NHC is no longer a functioning entity engaged in the business of insurance. Enforcing the  
11 Agreement’s arbitration clause will not disrupt the orderly liquidation of NHC, and Plaintiff’s  
12 action against Milliman has no bearing on the administration, allocation or ownership of NHC’s  
13 property or assets, which is the province of the Receivership Action.  
14

15  
16 Moreover, nothing in the Nevada Liquidation Act precludes a liquidator from arbitrating  
17 its claims. On the contrary, the Receivership Order entered pursuant to the Act expressly  
18 authorizes Plaintiff to “initiate and maintain actions at law or equity or any other type of action or  
19 proceeding of any nature, in this and other jurisdictions,” and to “[i]nstitute and prosecute . . . any  
20 and all suits **and other legal proceedings**” on behalf of NHC. (Order, §§ 14(a), (h) (emphasis  
21 added). Absent such a conflict, there is no reverse preemption. *Quackenbush*, 121 F.3d at 1381-  
22 82. Judge Cory, who entered the Receivership Order and presides over the liquidation  
23 proceedings, denied Plaintiff’s request to coordinate and consolidate Plaintiff’s action against  
24 Milliman with the liquidation proceeding.  
25

26 Finally, the Nevada Arbitration Act, which is not pre-empted, is substantively identical to  
27 the FAA and mandates enforcement of the Agreement’s arbitration clause.  
28

Accordingly, the Court hereby GRANTS Milliman's Motion To Compel Arbitration.

IT IS SO ORDERED

DATED: MARCH 8, 2018

  
DISTRICT COURT JUDGE

Respectfully prepared and submitted by: 

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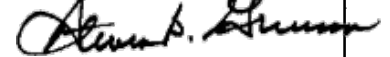
Approved as to Form by:

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By: \_\_\_\_\_

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1 **ORDR**

2  
3  
4 **DISTRICT COURT**  
5 **CLARK COUNTY, NEVADA**

6 STATE OF NEVADA, EX REL.  
7 COMMISSIONER OF INSURANCE,  
8 BARBARA D. RICHARDSON, IN HER  
9 OFFICIAL CAPACITY AS RECEIVER FOR  
10 NEVADA HEALTH CO-OP,

11 Plaintiff,

12 v.

13 MILLIMAN, INC., a Washington Corporation;  
14 JONATHAN L. SHREVE, an Individual; MARY  
15 VAN DER HEIJDE, an Individual;  
16 MILLENNIUM CONSULTING SERVICES,  
17 LLC, a North Carolina Corporation; LARSON &  
18 COMPANY P.C., a Utah Professional  
19 Corporation; DENNIS T. LARSON, an  
Individual; MARTHA HAYES, an Individual;  
INSUREMONKEY, INC., a Nevada Corporation;  
ALEX RIVLIN, an Individual; NEVADA  
HEALTH SOLUTIONS, LLC, a Nevada Limited  
Liability Company; PAMELA EGAN, an  
Individual; BASIL C. DIBSIE, an Individual;  
LINDA MATTOON, an Individual; TOM  
ZUMTOBEL, an Individual; BOBBETTE  
BOND, an Individual; KATHLEEN SILVER, an  
Individual; DOES I through X inclusive; and ROE  
CORPORATIONS I-X, inclusive,

20 Defendants.

CASE NO. A-17-760558-C  
DEPT. NO. XXV

**ORDER DENYING MILLENNIUM  
CONSULTING SERVICES, LLC'S  
MOTION TO DISMISS**

21 This matter having come before the Court<sup>1</sup> on January 16, 2018 on Defendant Millennium  
22 Consulting Services, LLC ("Millennium's") Motion to Dismiss (the "Motion"). Present before the  
23 Court were Mark E. Ferrario, Esq., on behalf of Plaintiff; John E. Bragonje, Esq., on behalf of  
24

25 <sup>1</sup> Pursuant to EDCR 1.30(b)(5), Chief Judge Elizabeth Gonzalez heard this matter due to the unavailability of the  
26 assigned judge due to illness. That rule provides in pertinent part:

27 **Rule 1.30. Chief judge.**

(b) The chief judge must:

28 (5) Make regular and special assignments of all judges, and hear or reassign emergency matters when  
a judge is absent or otherwise unavailable.

CLERK OF THE COURT

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40

1 Defendant Millennium; Brian Blankenship, Esq., on behalf of Defendants Alex Rivlin and  
2 Insuremonkey; and Alexander L. Fugazzi, Esq., on behalf of Defendants Mary Van Der Heijde,  
3 Jonathan L. Shreve, and Milliman, Inc.. Now therefore, having reviewed and considered the  
4 pleadings and papers on file herein and the arguments of counsel at the hearing, and for good cause  
5 appearing therefore, the Court hereby FINDS and ORDERS as follows:

6 **FINDINGS OF FACT**

7 1. On January 7, 2015, Nevada Health CO-OP ("NHC") entered into a service  
8 agreement (the "Agreement") with Millennium to provide services in compliance with Nevada's  
9 insurance regulatory requirements.

10 2. The Agreement contained a limited choice of law provision and a forum selection  
11 clause:

12 "This Agreement shall be governed in regards to its execution, interpretation or  
13 enforcement in accordance with the laws of the State of North Carolina. Venue  
14 for its enforcement or any action or proceeding based on this Agreement shall be  
in Wake County, North Carolina."

15 3. The acting Nevada Commissioner of Insurance (the "Receiver") later commenced  
16 the receivership action in the Department 1, Eighth Judicial District, Clark County, Nevada (the  
17 "Receivership Court") against NHC by filing a petition to appoint herself as the receiver of NHC  
18 under NRS 696B, as NHC was incapable of continuing.

19 4. Thereafter, on October 14, 2015, the Receivership Court issued an order naming the  
20 Commissioner as permanent receiver of NHC (the "Receivership Order").

21 5. Pursuant to the Court's Receivership Order and subsequent Final Order of  
22 Liquidation, the Receiver and the SDR were authorized to liquidate the business of NHC and wind  
23 up its ceased operations, including prosecuting suits on behalf of the numerous individuals and  
24 entities harmed by NHC's failure, including its members, insureds, creditors, and the general  
25 public.

26 6. The Receivership Order provides the following:

27 (1) ... The Receiver and the SDR are hereby directed to *conserve and preserve the*  
28 *affairs* of CO-OP and are vested, in addition to the powers set forth herein, with  
all the powers and authority expressed or implied under the provisions of chapter



1 696B of the Nevada Revised Statute ("NRS"), and any other applicable law. The  
2 Receiver and Special Deputy Receiver are hereby authorized to rehabilitate or  
3 liquidate CO-OP's business and affairs *as and when they deem appropriate*  
*under the circumstances and for that purpose may do all acts necessary or*  
*appropriate for the conservation, rehabilitation, or liquidation* of CO-OP....

4 (2) Pursuant to NRS 696B.290, the Receiver is hereby authorized with *exclusive*  
5 *title to all of CO-OP's property* (referred to hereafter as the "Property") and  
6 *consisting of all...[c]auses of action*, defenses, and rights to participate in legal  
proceedings....

7 (3) The Receiver is hereby directed to take immediate and exclusive possession  
8 and control of the Property except as she may deem in the best interest of the  
9 Receivership Estate. In addition to vesting title to all of the Property in the  
10 Receiver or her successors, the said *Property is hereby placed in custodia legis of*  
11 *this Court and the Receiver*, and the Court hereby assumes and *exercises sole*  
12 *and exclusive jurisdiction over all the Property and any claims or rights*  
13 *respecting the Property to the exclusion of any other court or tribunal*, such  
14 exercise of sole and exclusive jurisdiction being hereby found to be central to the  
15 safety of the public and of the claimants against CO-OP.

16 (5) All persons, corporations, partnerships, associations and all other entities  
17 wherever located, are hereby *enjoined and restrained from interfering in any*  
18 *manner* with the Receiver's possession of the Property or her title to her right  
19 therein and from interfering in any manner with the conduct of the receivership of  
20 CO-OP.

21 (8) All claims against CO-OP its assets or the Property must be submitted to the  
22 Receiver as specified herein *to the exclusion of any other method of submitting*  
23 *or adjudicating such claims in any forum, court, or tribunal subject to the*  
24 *further Order of this Court*. The Receiver is hereby authorized to establish a  
25 Receivership Claims and Appeal Procedure, for all receivership claims. The  
26 Receivership Claims and Appeal Procedures shall be used to facilitate the orderly  
27 disposition or resolution of claims or controversies involving the receivership or  
28 the receivership estate.

11 (11) The officers, directors, trustees, partners, affiliates, brokers, agents, creditors,  
12 insureds, employees, members, and enrollees of CO-OP, and all of the persons or  
13 entities of any nature including, but not limited to, claimants, plaintiffs,  
14 petitioners, and any governmental agencies who have claims of any nature against  
15 CO-OP, including cross-claims, counterclaims and third party claims, are *hereby*  
16 *permanently enjoined and restrained from doing or attempting to do any of the*  
17 *following*, except in accordance with the express instructions of the Receiver or  
18 by Order of this Court:

19 ...  
20 b. Commencing, bringing, maintaining or further prosecuting any action at  
21 law, suit in equity, arbitration, or special or other proceeding against CO-OP or its  
22 estate, or the Receiver and her successors in office, or any person appointed  
23 pursuant to Paragraph (4) hereinabove;

24 (14) The Receiver shall have the power and is hereby authorized to:

25 a. Collect all debts and monies due in claims belonging to CO-OP, wherever  
26 located, and for this purpose:(i) institute and maintain actions in other  
27 jurisdictions, in order to forestall garnishment and attachment proceedings against  
28

1 such debts; (ii) *do such other acts as are necessary or expedient to marshal,*  
2 *collect, conserve or protect its assets or property*, including the power to sell,  
3 terms and conditions as she deems appropriate, and the *power to initiate and*  
4 *maintain actions at law or equity or any other type of action or proceeding of*  
5 *any nature, in this and other jurisdictions*; (iii) to pursue any creditors remedies  
6 available to enforce her claims;

7 ...  
8 h. Institute and to prosecute, in the name of CO-OP or in her own name, any  
9 and all suits and of the legal proceedings, to defend suits in which CO-OP or the  
10 Receiver is a party in this state or elsewhere, whether or not such suits are  
11 pending as of the date of this Order...

12 ...  
13 (19) No judgment, order, attachment, garnishment sale, assignment, transfer,  
14 hypothecation, lien, security interest or other legal process of any kind with  
15 respect to or affecting CO-OP or the Property shall be effective or enforceable or  
16 form the basis for a claim against CO-OP or the Property *unless entered by the*  
17 *court, or unless the Court has issued its specific order*, upon good cause shown  
18 and after due notice and hearing, permitting same.

19 ...  
20 (24) The Court shall *retain jurisdiction for all purposes necessary to effectuate*  
21 *and enforce this Order*.

22 7. On August 25, 2017, the Receiver instituted the present action on behalf of the  
23 numerous people and entities harmed by NHC's failure, asserting causes of action against 16  
24 defendants, including Millennium.

25 8. Pursuant to the Receivership Order, the action was initiated in the Eighth Judicial  
26 District Court, the situs of the receivership proceedings and the only court with jurisdiction over  
27 NHC's Property.

### 28 CONCLUSIONS OF LAW

1 Nevada's Insurers Conservation, Rehabilitation and Liquidation Law (the "Nevada's  
2 Liquidation Act") permits the Receivership Court to issue orders governing a receivership,  
3 including injunctions permitting the Receiver to elect to consolidate all claims related to the  
4 insurance receivership in District Courts within Nevada.

5 2. Nevada's Liquidation Act provides:

6 a. The District Courts in Nevada "have original jurisdiction over delinquency  
7 proceedings under NRS 696B.010 to 696B.565, inclusive and any court with  
8 jurisdiction may make all necessary or proper orders to carry out the purposes of  
9 those sections." NRS 696B.190(1).

- 1           b. "No court has jurisdiction to entertain, hear or determine any petition or complaint  
2           praying for the dissolution, liquidation, rehabilitation, sequestration, conservation or  
3           receivership of any insurer...or other relief...relating to such proceedings, other than  
4           in accordance with NRS 696B.010 to 696B.565, inclusive." NRS 696B.190(4).
- 5           c. "The court may at any time during a proceeding...issue such other injunctions or  
6           orders as may be deemed necessary to prevent interference with the Commissioner  
7           or the proceeding, or waste of the assets of the insurer, or the commencement or  
8           prosecution of any actions..." NRS 696B.270.
- 9           3. Nevada's Liquidation Act is silent on whether forum selection clauses may be  
10          adopted or rejected by the Insurance Commissioner.
- 11          4. Nevada's Liquidation Act is silent on whether offensive claims are required to be  
12          litigated in Nevada.
- 13          5. The Receivership Court, acting within its statutory authority and consistent with  
14          Nevada law, issued a Receivership Order, providing that the Receivership Court would exercise  
15          "sole and exclusive jurisdiction" over all NHC Property – including causes of action, defenses, and  
16          rights to participate in legal proceedings – "to the exclusion of any other court or tribunal."
- 17          6. The Receivership Order and Nevada's Liquidation Act govern this action.
- 18          7. Pursuant to the Receivership Order, the Receiver has discretion to choose a forum  
19          for all proceedings related to the receivership, including claims that she brings in her capacity as  
20          Receiver.
- 21          8. Nothing in Nevada's Liquidation Act strips the Receiver of her right to choose a  
22          forum or whether to adopt the forum selection choices of the defunct insurer, even where the  
23          Receiver is the Plaintiff.
- 24          9. The position of the Receiver is inherently one established in the interest of the  
25          general public, including NHC members, insureds, and creditors, for the purpose of maximizing  
26          recovery for innocent victims of a delinquent insurance company.

10. It is consistent with public policy and Nevada's Liquidation Act to allow the Receiver to "marshal, collect, conserve, or protect the assets of NHC," including, in her discretion, "the power to initiate and maintain actions at law or equity" in this jurisdiction.

11. Consistent with public policy, and given the silence of Nevada's Liquidation Act to the contrary, claims related to the management of the receivership of NHC, such as the claims against Millennium, are better litigated in the jurisdiction where the Commissioner of Insurance is acting as the Receiver of the defunct insurance company and where all claims that are related to the management of the receivership may be handled in one location.

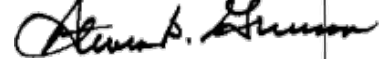
## ORDER

Given the foregoing, **IT IS ORDERED, ADJUDGED, AND DECREED** that Millennium's Motion to Dismiss is hereby **DENIED**.

**IT IS SO ORDERED.**

DATED this 29 day of February, 2018.

  
Elizabeth Gonzalez  
CHIEF DISTRICT COURT JUDGE



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3 Nevada Bar No. 1625  
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16 *Counsel for Plaintiff*

11 **DISTRICT COURT**  
12 **CLARK COUNTY, NEVADA**

13 STATE OF NEVADA, EX REL.  
14 COMMISSIONER OF INSURANCE,  
15 BARBARA D. RICHARDSON, IN HER  
16 OFFICIAL CAPACITY AS RECEIVER FOR  
17 NEVADA HEALTH CO-OP,

18 Plaintiff,

19 v.

20 MILLIMAN, INC., a Washington Corporation,  
21 JONATHAN L. SHREVE, an Individual;  
22 MARY VAN DER HEIJDE, an Individual;  
23 MILLENNIUM CONSULTING SERVICES,  
24 LLC, a North Carolina Corporation;  
25 LARSON & COMPANY P.C., a Utah  
26 Professional Corporation; DENNIS T. LARSON,  
27 an Individual; MARTHA HAYES, an Individual;  
28 INSUREMONKEY, INC., a Nevada Corporation;  
ALEX RIVLIN, an Individual; NEVADA  
HEALTH SOLUTIONS, LLC, a Nevada Limited  
Liability Company; PAMELA EGAN, an  
Individual; BASIL C. DIBSIE, an Individual;  
LINDA MATTOON, an Individual; TOM  
ZUMTOBEL, an Individual; BOBBETTE  
BOND, an Individual; KATHLEEN SILVER, an  
Individual; DOES I through X inclusive; and ROE  
CORPORATIONS I-X, inclusive,

Defendants.

Case No.: A-17-760558-C  
Dept. No.: XXV

**PLAINTIFF'S MOTION FOR  
RECONSIDERATION**

**Date of Hearing:**

**Time of Hearing:**

1 Plaintiff, Commissioner of Insurance BARBARA D. RICHARDSON ("Commissioner"), in  
2 her capacity as Receiver of Nevada Health CO-OP ("NHC" or "CO-OP"), by and through her  
3 undersigned counsel, hereby moves for the Court to reconsider its Order regarding Defendant  
4 Milliman, Inc.'s ("Milliman") motion to compel arbitration ("Motion") pursuant to EDCR 2.24.

5 This Motion is based upon the following memorandum of points and authorities, the  
6 pleadings and papers on file herein, any exhibits attached hereto, and any oral argument this Court  
7 should choose to entertain at the time of hearing.

8 DATED this 29th day of March, 2018.

GREENBERG TRAURIG, LLP

9 /s/ Donald L. Prunty, Esq.

10 MARK E. FERRARIO, ESQ.

Nevada Bar No. 1625

11 ERIC W. SWANIS, ESQ.

Nevada Bar No. 6840

12 DONALD L. PRUNTY, ESQ.

Nevada Bar No. 8230

13 3773 Howard Hughes Parkway, Suite 400 N  
14 Las Vegas, NV 89169

15 *Counsel for Plaintiff*

16 **NOTICE OF MOTION**

17 PLEASE TAKE NOTICE that the foregoing **PLAINTIFF'S MOTION FOR**  
18 **RECONSIDERATION** will come on for hearing before this Honorable Court on the \_\_\_\_ day of  
19 May 1, 2018, at the hour of 9:00 am.m., or as soon thereafter as counsel may be heard.

20 DATED this 29th day of March, 2018.

21 GREENBERG TRAURIG, LLP

22 /s/ Donald L. Prunty, Esq.

23 MARK E. FERRARIO, ESQ.

Nevada Bar No. 1625

24 ERIC W. SWANIS, ESQ.

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28 *Counsel for Plaintiff*

**MEMORANDUM OF POINTS AND AUTHORITIES**

**I. INTRODUCTION**

On March 12, 2018, this Court entered an Order granting Milliman's motion to compel arbitration. The Commissioner submits respectfully that the Court should reconsider its Order for the following reasons. First, Plaintiff respectfully notes that the Court's ruling in regard to Milliman's motion to compel arbitration is inconsistent with and contrary to a recent ruling against Milliman involving similar facts in the Iowa District Court for Polk County. Secondly, Plaintiff contends that the scope of the Court's Order, as drafted, is outside of the Court's authority; as per the Court's Order, determinations regarding the merits of the claims must be made by an arbitrator, and that it is tantamount to a ruling on a motion for summary judgment. Finally, Plaintiff respectfully requests that the Court reconsider or clarify its ruling in regards to claims against Milliman that do not arise out of or relate to the agreement at issue. In the event that the Court is not inclined to reconsider its Order granting arbitration, Plaintiff respectfully requests that the Court either revise its written Order or accept Plaintiff's competing order.

**II. ARGUMENT**

**A. Reconsideration is Warranted under the Circumstances.**

A Court may reconsider a previously decided issue when the decision is clearly erroneous or if substantially different evidence is introduced. *See Masonry & Tile Contractors v. Jolley, Urga & Wirth, Ltd.*, 113 Nev. 737, 941 P.2d 486, 489 (1997) ("A district court may reconsider a previously decided issue if substantially different evidence is subsequently introduced or the decision is clearly erroneous"); *Mustafa v. Clark County School District*, 157 F.3d 1169, 1178-79 (9th Cir. 1998) (generally, leave for reconsideration is granted upon showing of newly discovered evidence, clear error or manifest injustice, or an intervening change in controlling law); *Trail v. Faretto*, 91 Nev. 401, 403, 536 P.2d 1026 (1975) (court may "for sufficient cause shown, amend, correct, settle, modify, or vacate, as the case may be, an order previously made and entered on motion in the progress of the cause or proceeding"). The Nevada Supreme Court has explained that rehearing is appropriate where "new issues of fact or law are raised supporting a ruling contrary to the ruling already reached." *See Moore v. City of Las Vegas*, 92 Nev. 402, 551 P.2d 244, 246

(1976) In short, a motion for reconsideration directs the court's "attention to some controlling matter which the court has overlooked or misapprehended." *In re Ross*, 99 Nev. 657, 659, 668 P.2d 1089, 1091 (1983).

Here, the Court's findings and subsequent Order are clearly erroneous and otherwise result in manifest errors of law or fact necessitating reconsideration.

***1. The Court Should Reconsider its Order Due to a Recent Order Involving Similar Subject Matter***

This Court should reconsider its Order due to a recent order from another jurisdiction denying Milliman's motion to compel arbitration under similar facts.

In February, another motion filed by Milliman, similar to this one, was decided *against* Milliman in another jurisdiction. This is now the second court decision denying arbitration involving Milliman with essentially identical arbitration provisions in the context of Affordable Care Act Co-Ops under the Uniform Insurance Liquidators Act (the "UILA"). Cases like this one are proceeding around the country; the recent decision – entered after briefing, argument, and ruling on this matter – further speaks to the issues here.<sup>2</sup> Although not binding, given the similar circumstances, it is certainly persuasive and warrants consideration.

In that case, the plaintiffs were liquidators of a CO-OP called CoOpportunity. *Ommen v. Milliman, Inc.*, Case No. LACL 138070 (Iowa District Court, Polk County) ("Iowa Order"), attached as **Exhibit A**. They sued Milliman for malpractice, breach of fiduciary duty, negligent misrepresentation, intentional misrepresentation, aiding and abetting breach of fiduciary duty, and conspiracy on the basis that statements made by Milliman regarding the viability of the CO-OP were inaccurate, misleading, and incomplete. *Id.* at 2. As here, the liquidators brought suit on behalf of the estate, policyholders, creditors, and other impacted parties. *Id.* Milliman moved to dismiss the litigation and proceed in a confidential arbitration proceeding pursuant to an agreement between Milliman and a CO-OP predecessor (an individual founder). *Id.* at 3. And, as here, the

---

<sup>2</sup> As noted in NHC's Opposition to Milliman's motion to compel arbitration, a similar motion by Milliman was also denied in Louisiana in September. See Exhibit A to Opposition to Milliman's motion to compel arbitration.



1 purported result would have been a private proceeding under New York law with limited discovery  
2 and no punitive damages.

3 The court denied Milliman's motion for several reasons, three of which are relevant here.  
4 First, the Court held that the liquidators – who, as here, were not direct signatories to the agreement  
5 – did not “stand in the shoes” of the failed CO-OP. *Id.* at 4. The Court found that the causes of  
6 action did not arise out of or relate to the agreement, but instead arose out of the statutory right to  
7 bring claims as the liquidator and Milliman's malpractice and public statements.<sup>3</sup> *Id.* at 4. The  
8 same or similar causes of action (and others) have been brought here.<sup>4</sup> *See* generally Complaint.  
9 Likewise, similar to the Iowa statute that provides the liquidator with authority to “[p]rosecute an  
10 action on behalf of the creditors, members, policyholders, or shareholders of the insurer  
11 against...any other person,” the Receivership Order entered pursuant to NRS 696B likewise vested  
12 the Receiver with broad power to “conserve and preserve the affairs of” NHC, including  
13 performing “all acts necessary or appropriate for the conservation, rehabilitation, or liquidation” of  
14 NHC. *See* Receivership Order, at ¶ 1.

15 Second, the court relied on public policy and the language of the Iowa Act, explaining that  
16 the clear intent of the legislature in enacting “this comprehensive statute” was to “protect the  
17 interest of [the CO-OP's] policyholders. *See* Iowa Order at 5. The court held that the Act requires  
18 the liquidators' claims be resolved in a public forum of the liquidators' choosing, and that forcing  
19 the liquidators to arbitrate would interfere with “(1) the public's interest in the proceeding; (2) the  
20 Liquidators' right of forum selection; (3) the Act's purposes of economy and efficiency; (4) the  
21 protection of the CoOpportunity policyholders and creditors; and (5) the Liquidators' authority to  
22 disavow the Agreement.” *Id.* As described in detail in NHC's Opposition to Milliman's motion to  
23 compel arbitration, most of the same policy considerations are at issue here.

24  
25 <sup>3</sup> As a separate reason, the court noted that the liquidator had disavowed the contract. Although in  
26 NHC's case the contract has not been disavowed, the other reasons given by the court stand  
27 independently of this one. *See id.* at 5 (noting this is an “independent alternative ground” for the  
28 denial of the motion).

<sup>4</sup> As discussed further below, at a minimum, the claims that do not arise out of the contract should  
proceed in litigation.

1 Finally, the court held that the Act expressly involves the “business of insurance,” with the  
2 result that pursuant to the McCarran-Ferguson Act, the Federal Arbitration Act must give way to  
3 the rights and remedies prescribed in the Iowa Act. *Id.* at 6. As with the Iowa Act, there is no real  
4 dispute that NRS 696B regulates the business of insurance. *See, e.g.,* NRS 696B.290(5) (the  
5 Liquidation Act provides that “upon taking possession of the assets of an insurer, the domiciliary  
6 receiver shall immediately proceed to *conduct the business of the insurer* or to take such steps as  
7 are authorized by this chapter for the purpose of rehabilitating, liquidating, or conserving the  
8 affairs or assets of the insurer.”); *Ernst & Young, LLP v. Clark*, 323 S.W.3d 682 (Ky. 2010)  
9 (holding that this prong was “clearly satisfied”). As in the Iowa Order, the presumption in favor of  
10 arbitration under the FAA must give way to the Nevada Act for this reason.

11 Between the Iowa Order, a Louisiana court’s denial of a similar motion by Milliman, and  
12 *Taylor v. Ernst & Young*, 130 Ohio St. 3d 411, 419 (Ohio 2011), discussed at length in NHC’s  
13 Opposition to Milliman’s motion to compel arbitration, this Court’s determination that arbitration  
14 is appropriate in this case is an outlier, and should be reconsidered.

15 **2. This Court Should Reconsider its Order Where, in Ruling on the Motion to Compel**  
16 **Arbitration, This Court Made a Substantive Ruling Regarding Creditors’ Rights.**

17 This Court should reconsider its Order where, in ruling on the Motion to Compel  
18 Arbitration, this Court appeared to have made a substantive ruling regarding creditors’ rights. To  
19 the extent that the Court did not intend to make a substantive ruling outside the scope of the  
20 Motion to Compel Arbitration, this Court should revise its Order accordingly.

21 The motion before the Court was a Motion to Compel Arbitration; the scope of the  
22 determination before the Court was not the merits of the case, but instead simply whether or not the  
23 claims against Milliman were subject to arbitration. Milliman argued that the claims should be  
24 subject to arbitration, and NHC argued that they should not be subject to arbitration. Nevertheless,  
25 the Order submitted by Milliman and signed by this Court is troubling, as it appears to go to the  
26 merits of the dispute.

27 Essentially, the following two paragraphs in this Court’s Order could be construed as a  
28 motion for summary judgment ruling – the kind of ruling that should not be entered without

1 discovery, full briefing, and/or an evidentiary hearing:

2           There is a distinction between claims that belong to the creditors and  
3 policyholders of an insolvent insurer, on the one hand, as distinct from claims that  
4 belong to the insolvent insurer, where any recovery would increase the coffers of  
5 the estate, and therefore benefit the estate's creditors and policyholders, on the  
6 other hand. Plaintiff's claims fall within the latter category, and therefore are  
7 arbitrable.

8           All of Plaintiff's claims here belonged only to NHC because they are  
9 ordinary common law and contractual damages claims based on NHC's pre-  
10 insolvency rights. Plaintiff seeks monetary damages from Milliman, not the  
11 return of NHC assets, and not the clawing back and redistribution among creditors  
12 of estate assets. Plaintiff's action against Milliman does not involve set offs, or  
13 proofs of claim, or claims arising from the Nevada liquidation statute. This case  
14 is separate and distinct from the ongoing Receivership Action and it neither  
15 threatens or state an interest in NHC assets or property, nor will it affect any  
16 creditor's rights. **Plaintiff has not pled any viable causes of action that  
17 actually belong to NHC's creditors.**

18 *See Order, at 6-7 (emphasis added).*

19           To the extent that this language is meant to rule on the validity of NHC's claims, as it  
20 appears to do, it goes well beyond the arbitrability of the causes of action at issue and into a  
21 determination of the merits. This is improper, given that the motion was not a merits motion.  
22 Indeed, if the proper venue is an arbitral forum, this Court would be usurping the position of the  
23 arbitrators in making a ruling on the merits. Further, even if this Court could make a merits-based  
24 decision despite having found the claims arbitrable, it should not endeavor to do so without (at  
25 least) briefing as to the validity of the claims.

26           To the extent that this language is merely meant to reject NHC's argument that because the  
27 Receiver represents creditors, insureds, policyholders, etc., it is not bound by the arbitration clause,  
28 it should be clarified to so state.

          Additionally, contrary to the language in the Order, Plaintiff has clearly asserted claims on  
behalf of creditors and others. *See Complaint, at ¶ 1* ("Plaintiff...has brought this action on behalf  
of NHC, NHC's members, insured enrollees, **and creditors**") (emphasis added). Further, there are  
other factual problems with these paragraphs; for example, Milliman **has** asserted a proof of claim.

1 See Opposition to Motion to Compel Arbitration, at Exhibit C.

2 As such, this portion of the ruling should be reconsidered, or clarified, as appropriate.

3 **3. This Court Should Reconsider its Order Where the Court Did Not Specifically Address**  
4 ***Bifurcation of Claims***

5 This Court should also reconsider its Order where the Court did not address whether the  
6 claims involving other parties should be arbitrated. In her discretion, the Receiver brought the  
7 claims against Milliman and all of its codefendants in Nevada state court; this makes sense. The  
8 purpose of this was to consolidate all cases in a central court in the state of the statutory  
9 liquidation; conducting one litigation conserves the assets of NHC for the benefit of insureds and  
10 other Nevadans. Piecemeal litigation is duplicative and costly, and private arbitration lacks the  
11 public visibility appropriate for this dispute.

12 There are four categories of claims at issue, for the purposes of determining arbitrability.  
13 First, there are the claims that directly involve the contract at issue; for example, breach of contract  
14 and breach of the implied covenant of good faith and fair dealing. See Complaint, at pp. 52-54.  
15 Second, there are the tort claims against Milliman. See Complaint, at pp. 47-55. Third, there is a  
16 statutory claim arising out of Milliman's failure to comply with state statutory requirements. See  
17 *id.* Finally, there are two claims that are asserted based on Milliman's illicit cooperation with other  
18 named defendants (e.g., Millennium, InsureMonkey) to deceive, defraud, and ultimately destroy  
19 NHC, namely, civil conspiracy (sixty-second cause of action) and concert of action (sixty-third  
20 cause of action). See Complaint, at pp. 94-96.

21 ***The contract-related claims (category one).*** NHC explained the various reasons why none  
22 of the claims – even the contract claims – should be subject to arbitration in its Opposition to  
23 Milliman's motion to compel arbitration. Specifically, that the presumption in favor of arbitration  
24 does not apply where the Insurer's Liquidation Law reverse-preempts the FAA under the  
25 McCarran-Ferguson Act; the specific provisions of the Liquidation Law and the Receivership  
26 Order preclude contrary application of the NAA; the fact that the Receiver, as a non-signatory,  
27 does not merely “step into the shoes” of NHC where the claims are brought on behalf of creditors,  
28 policyholders, and others; where the comprehensive statutory scheme and the Receivership Order's

1 language mandates that the Receiver's decision to litigate in this Court be respected; and where the  
2 AAA is not an adequate forum to resolve this dispute, given the arbitration clause's limits on  
3 discovery and damages and its inability to adjudicate claims involving other parties. Nevertheless,  
4 even if this Court finds that category one claims must be arbitrated, this Court should find that the  
5 other categories of claims should be litigated in Nevada.

6 ***The tort claims (category two).***

7 This Court held in section D of its Order that "Plaintiff's claims all arise from and relate to  
8 the Agreement because, but for the Agreement and the work Milliman did for NHC pursuant to it,  
9 Plaintiff would have no claims whatsoever." See Order, at 4. The recent Iowa Order, interpreting  
10 the same language, held differently; it held that the claims at issue – for malpractice, breach of  
11 fiduciary duty, negligent misrepresentation, intentional misrepresentation, aiding and abetting  
12 breach of fiduciary duty, and conspiracy – did not "arise from or relate to the Agreement" with  
13 Milliman. See Iowa Order, at 4. Rather, the court held, the claims arose from "Milliman's alleged  
14 malpractice and public statements certifying the viability of [the CO-OP]," as well as the  
15 liquidator's statutory right to bring claims on behalf of the creditors, policyholders, and others.

16 Here, the non-contract claims are similar to those outlined in the Iowa Order, and the  
17 reasoning is in accord. Accordingly, those claims should be litigated in Nevada.

18 ***The statutory claim (category three).***

19 At the very least, the statutory claim should not be arbitrated. One of NHC's primary  
20 claims against Milliman is that it violated its obligations pursuant to NRS 681B. See Complaint, at  
21 p. 47. Milliman's statutory obligations are separate from its contractual obligations; in other  
22 words, a party cannot "contract around" Nevada's statutory obligations, nor should a party be able  
23 to "contract around" answering to those harmed by a failure to comply with such statutory  
24 obligations via an arbitration clause. This claim should not be deemed to "arise out of or relate to"  
25 the Agreement here.

26 ***Claims that involve other parties not subject to the Agreement (category four).***

27 Even if this Court finds that all of the above claims should be arbitrated, this Court should  
28 find that the claims that involve parties not subject to the arbitration clause cannot be arbitrated.

1 As noted above, some causes of action involve not only Milliman, but other named defendants in  
2 the Nevada litigation. NHC respectfully requests that this Court clarify whether the conspiracy and  
3 concert of action claims brought not only against Milliman, but involving coordinated and  
4 concerted action on behalf of Milliman and other named defendants, are also to be arbitrated, or if  
5 these claims are to be bifurcated and litigated with the rest of the Nevada litigation.

6 If this Court finds that any of the above claims are inappropriate for arbitration, this Court  
7 should bifurcate the proceedings accordingly. *See generally Law Offices of Bradley J. Hofland,*  
8 *P.C. v. McFarling*, 2007 WL 1074096, at \*2 (D. Nev. Apr. 9, 2007) (explaining that under the  
9 FAA, where some issues are subject to arbitration and some are not, bifurcation is appropriate).

### 11 III. CONCLUSION

12 Based on the foregoing, the Commissioner respectfully requests that the Court reconsider  
13 its Order in its entirety. If the Court is unwilling to reconsider its Order in its entirety, the Court  
14 should still reconsider its Order and either remove its statements regarding the Creditor's rights or  
15 order briefing and a hearing addressing the issues related thereto. Finally, NHC respectfully  
16 requests that this Court reconsider potentially bifurcating the claims, or at the very least, clarify  
17 how the claims against Milliman that necessarily involve defendants other than Milliman be treated  
18 under the order.

19 DATED this 29th day of March, 2018.

20 GREENBERG TRAURIG, LLP

21  
22 By: /s/ Donald L. Prunty, Esq.  
23 MARK E. FERRARIO, ESQ.  
24 Nevada Bar No. 1625  
25 ERIC W. SWANIS, ESQ.  
26 Nevada Bar No. 6840  
27 DONALD L. PRUNTY, ESQ.  
28 Nevada Bar No. 8230  
3773 Howard Hughes Parkway, Suite 400 N  
Las Vegas, NV 89169  
Counsel for Plaintiff

**CERTIFICATE OF SERVICE**

I hereby certify that on this 29th day of March, 2018, a true and correct copy of the foregoing Plaintiff's Motion for Reconsideration was filed with the Clerk of the Court using the Odyssey eFileNV Electronic Service system and served on all parties with an email-address on record, pursuant to Administrative Order 14-2 and Rule 9 of the N.E.F.C.R.

The date and time of the electronic proof of service is in place of the date and place of deposit in the U.S. Mail.

/s/Sandy Jackson  
An Employee of GREENBERG TRAURIG, LLP

# **EXHIBIT A**



IN THE IOWA DISTRICT COURT FOR POLK COUNTY

DOUG OMMEN, et al.,  Plaintiffs,  vs.  MILLIMAN, INC., et al.,  Defendants.	Case No. LACL 138070   <b>ORDER DENYING MILLIMAN, INC., ET AL.'S MOTION TO DISMISS AND COMPEL ARBITRATION</b>
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Under authority provided by the Insurers Supervision, Rehabilitation, and Liquidation Act, Iowa Code chapter 507C (2017) (the Act)<sup>1</sup>, Plaintiffs Doug Ommen, et al. (the Liquidators) filed a Petition on June 5, 2017, against Defendants Milliman, Inc., et al. (Milliman) alleging claims arising from the fall of failed insurance company CoOpportunity Health, Inc. (CoOpportunity). Before the court is Milliman's Motion to Dismiss and Compel Arbitration (the Motion), resisted by the Liquidators.

Hearing on the Motion and Resistance was held on Friday, December 8, 2017. Representing Milliman was attorney Steven Eckley. Representing the Liquidators was attorney Kirsten Byrd.

The court, having considered Milliman's Motion to Dismiss and Compel Arbitration, the Liquidators' Resistance, Milliman's Reply, the Liquidators' Supplemental Brief and Milliman's Supplemental Authority, and having heard oral argument by the parties on December 8, 2017, denies Milliman's Motion to Dismiss and Compel Arbitration for the following reasons:

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<sup>1</sup> All references are to the 2017 Iowa Code unless otherwise indicated.

### **OVERVIEW OF THE LIQUIDATORS' CLAIMS**

Plaintiffs are the statutory liquidators of CoOpportunity. Plaintiffs brought this lawsuit as part of their statutory mandate to preserve and collect the assets of the company and to protect the interests of policyholders, creditors, and the public. The Liquidators' First Amended Petition asserts claims against Milliman for (1) malpractice, (2) breach of fiduciary duty, (3) negligent misrepresentation, (4) intentional misrepresentation, (5) aiding and abetting breach of fiduciary duty, and (6) conspiracy. The First Amended Petition also asserts related tort and other claims against the company's founders/directors/officers.

The Liquidators' claims against Milliman focus on Milliman's alleged malpractice and statements to CoOpportunity and regulators regarding the viability of the company. The Liquidators allege these statements were inaccurate, incomplete, and misleading. As permitted by Iowa Code section 507C.21, the Liquidators assert their claims on behalf of the company, policyholders, creditors, and other impacted parties because the Liquidators allege they were damaged by the insolvency. The Liquidators confirm any recovery in the action will inure to the general benefit of all policyholders and creditors. See Iowa Code §§ 507C.21(1)(m) and 507C.18.

### **MILLIMAN'S MOTION TO DISMISS AND COMPEL ARBITRATION**

Milliman<sup>2</sup> asks the court to compel the Liquidators to pursue their claims against Milliman in a confidential arbitration proceeding, based upon a Consulting Services Agreement (the Agreement) signed by a CoOpportunity founder in 2011 before the company was formed.

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<sup>2</sup> "Milliman" refers to Defendants Milliman, Inc., Kimberley Hiemenz, and Michael Sturm.

The Agreement purports to require a confidential arbitration and application of New York law. It attempts to limit any malpractice recovery to three times fees paid, and to insulate Milliman from punitive damages, lost profits, and consequential damages. The Liquidators allege Milliman offered the founders a personal incentive to enter into the Agreement by agreeing Milliman would not seek to collect against the founders personally if the federal government did not approve the funding application for CoOpportunity. The Liquidators allege the Agreement is evidence of a tainted relationship, lack of independence, conflict of interest, and motive.

#### ANALYSIS

It is undisputed that the Liquidators are not signatories to the Agreement. It is fundamental that “arbitration is a matter of contract and a party cannot be required to submit to arbitration any dispute which he has not agreed so to submit.” *AT & T Techs., Inc. v. Commc’ns Workers of Am.*, 475 U.S. 643, 646 (1986) (citation omitted); *Wells Enters., Inc. v. Olympic Ice Cream*, 903 F. Supp. 2d 740, 746 (N.D. Iowa 2012) (“[A] party who has not agreed to arbitrate a dispute cannot be forced to do so.”). The enforceability of an agreement to arbitrate “flows from the consent of the parties to the agreement.” *Rent-A-Center, Inc. v. Iowa Civil Rights Comm’n*, 843 N.W.2d 727, 732–33 (Iowa 2014) (citation omitted); *see also EEOC v. Waffle House, Inc.*, 534 U.S. 279, 294 (2002) (“Arbitration under the [Federal Arbitration Act] is a matter of consent, not coercion. . . . It goes without saying that a contract cannot bind a nonparty.”); *First Options of Chi., Inc. v. Kaplan*, 514 U.S. 938, 943 (1995) (“[A]rbitration is simply a matter of contract between the parties; it is a way to resolve those disputes—but only those disputes—that the parties have agreed to submit to arbitration.”).

State law governs the question of whether there is a binding agreement to arbitrate. *Lyster v. Ryan's Family Steak Houses, Inc.*, 239 F.3d 943, 946 (8th Cir. 2001) (citations omitted). There may be a presumption in favor of arbitration in certain circumstances. This presumption does not apply where, as in this case, a non-party to the agreement disputes the agreement is binding and enforceable against the non-party. See e.g., *Jacks v. CMH Homes, Inc.*, 856 F.3d 1301, 1304–05 (10th Cir. 2017); *White v. Sunoco, Inc.*, No. 16-2808, 2017 WL 38641616, at \*3 (3d Cir. Sept. 5, 2017); *Griswold v. Coventry First LLC*, 762 F.3d 264, 271 (3d Cir. 2014); *Taylor v. Ernst & Young, LLP*, 958 N.E.2d 1203, 1210 (Ohio 2011). A non-signatory may be bound by an arbitration agreement *only* if traditional principles of state law allow the contract to be enforced against the nonparty. *Arthur Andersen LLP v. Carlisle*, 556 U.S. 624, 631 (2009).

Milliman claims that the Liquidators are bound as successors. Under Iowa law the Liquidators are not mere successors of CoOpportunity. As a matter of law they do not stand only in CoOpportunity's shoes. Rather, the Liquidators brought this action pursuant to the Iowa Legislature's broad grant of statutory authority to the Liquidators under Iowa Code section 507C.21(1)(m) to bring claims on behalf of policyholders and creditors, as well as on behalf of CoOpportunity.<sup>3</sup> Other courts confronting this issue have held that the liquidator is not a mere successor and is not bound by the defunct insurer's arbitration agreement. See e.g., *Taylor*, 958 N.E.2d at 1211.

The Liquidators do not seek to enforce or recover under the Agreement. Their claims do not arise from or relate to the Agreement. Rather, the Liquidators' claims arise from Milliman's alleged malpractice and public statements certifying the viability

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<sup>3</sup> Iowa Code section 507C.21(1)(m) permits the liquidator to "[p]rosecute an action on behalf of the creditors, members, policyholders, or shareholders of the insurer against an officer of the insurer, or any other person."

of CoOpportunity, as well as the Liquidators' statutory right under section 507C.21(1)(m) to assert claims on behalf of the company, policyholders, creditors, and others.

In addition, the Liquidators have disavowed the Agreement in its entirety, as authorized under Iowa Code section 507C.21(1)(k).<sup>4</sup> The Liquidators' disavowal is an independent alternative ground upon which the court refuses to compel arbitration as provided for in section 2 of the Federal Arbitration Act (the FAA). The court rejects Milliman's argument that the Liquidators' authority to disavow contracts applies only to executory or ongoing contractual obligations. This is not supported by the plain language of the statute, cases construing an insurance liquidator's disavowal authority, and the express purpose of the Act to effectuate the goals of policyholder and creditor protection.

Further, the language of the Act confirms that the Legislature enacted this comprehensive statute to protect the interests of CoOpportunity's policyholders. The Act requires the Liquidators' claims be resolved in a public forum of the Liquidators' choosing, subject to the rules and procedures established by the Legislature. Forcing the Liquidators to arbitrate would interfere with (1) the public's interest in the proceeding; (2) the Liquidators' right of forum selection under the Act; (3) the Act's purposes of economy and efficiency; (4) the protection of CoOpportunity policyholders and creditors; and (5) the Liquidators' authority to disavow the Agreement. It is not lost upon this court that the Legislature could have chosen to restrain the reach of a liquidator in situations such as the instant matter and require the result Milliman

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<sup>4</sup> Iowa Code section 507C.21(1)(k) permits the liquidator to "enter into contracts as necessary to carry out the order to liquidate and affirm or disavow contracts to which the insurer is a party."

argues for here. It is telling to the court that the Legislature has not done so. The court will not supply that which is within the authority of the Legislature to provide.<sup>5</sup>

Finally, the Act expressly involves the “business of insurance.”<sup>6</sup> It falls within the meaning of that phrase in accordance with the United States Supreme Court’s opinion in *United States Department of Treasury v. Fabe*, 508 U.S. 491, 500-09 (1993). The court cannot compel arbitration under the FAA because, under the McCarran-Ferguson Act, the Act reverse preempts the FAA, such that the FAA must give way to the rights and remedies prescribed in the Act. *See* 15 U.S.C. § 1012(b).

### CONCLUSION

For all of the reasons stated above, the court finds and concludes that the Liquidators have exercised their statutory authority properly. They are not bound by the arbitration clause discussed above, which they have disavowed. Milliman’s Motion to Dismiss and Compel Arbitration should therefore be denied.

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<sup>5</sup> In this vein the court also observes that the liquidation statutes in most other states do not approximate the depth and breadth of the authority granted to the Liquidators by the Legislature under the Act.

<sup>6</sup> The plain language of Iowa Code section 507C.1(4)(g) confirms this:

The purpose of this chapter is the protection of the interests of insureds, claimants, creditors, and the public . . . through all of the following:

. . . .

g. Providing for a comprehensive scheme for the rehabilitation and liquidation of insurance companies and those subject to this chapter as part of the regulation of the business of insurance, the insurance industry, and insurers in this state. Proceedings in cases of insurer insolvency and delinquency are deemed an integral aspect of the business of insurance and are of vital public interest and concern.

Iowa Code § 507C.1(4)(g).

**ORDER**

**IT IS THEREFORE ORDERED, ADJUDGED AND DECREED** that Defendant Milliman, Inc., et al.'s Motion to Dismiss and Compel Arbitration is **DENIED**.

Costs are assessed to Defendant Milliman, Inc., et al.



State of Iowa Courts

**Type:** OTHER ORDER

**Case Number** **Case Title**  
LACL138070 DOUG OMMEN ET AL VS MILLIMAN INC ET AL


So Ordered

A handwritten signature in cursive script, appearing to read "Jeanie Vaudt", is written over a horizontal line.

Jeanie Vaudt, District Court Judge,  
Fifth Judicial District of Iowa

Electronically signed on 2018-02-06 17:41:37 page 8 of 8





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EIGHTH JUDICIAL DISTRICT COURT  
CLARK COUNTY, NEVADA

STATE OF NEVADA, EX REL.  
COMMISSIONER OF INSURANCE,  
BARBARA D. RICHARDSON, IN HER  
OFFICIAL CAPACITY AS RECEIVER FOR  
NEVADA HEALTH CO-OP,

Plaintiff,

vs.

MILLIMAN, INC., a Washington Corporation;  
JONATHAN L. SHREVE, an Individual; MARY  
VAN DER HEIJDE, an Individual;  
MILLENNIUM CONSULTING SERVICES,  
LLC, a North Carolina Corporation; LARSON &  
COMPANY P.C., a Utah Professional  
Corporation; DENNIS T. LARSON, an  
Individual; MARTHA HAYES, an Individual;  
INSUREMONKEY, INC., a Nevada Corporation;  
ALEX RIVLIN, an Individual; NEVADA  
HEALTH SOLUTIONS, LLC, a Nevada Limited  
Liability Company; PAMELA EGAN, an  
Individual; BASIL C. DIBSIE, an Individual;  
LINDA MATTOON, an Individual; TOM

) Case No. A-17-760558-C

) Dept. No. 27

) **MILLIMAN'S OPPOSITION TO**  
) **PLAINTIFF'S MOTION FOR**  
) **RECONSIDERATION**

Snell & Wilmer

LLP  
LAW OFFICES  
3883 Howard Hughes Parkway, Suite 1100  
Las Vegas, Nevada 89169  
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ZUMTOBEL, an Individual; BOBBETTE  
BOND, an Individual; KATHLEEN SILVER, an  
Individual; DOES I through X, inclusive; and  
ROE CORPORATIONS I-X, inclusive,

Defendants.

Defendants Milliman, Inc., Jonathan L. Shreve, and Mary van der Heijde (collectively “Milliman” for purposes of this motion only), by and through their attorneys, Snell & Wilmer L.L.P. and Dentons US LLP, hereby submit this Opposition to Plaintiff, the Commissioner of Insurance, Barbara D. Richardson, in her official capacity as Receiver for Nevada Health CO-OP’s (“Plaintiff”) Motion for Reconsideration. This Motion is based on the pleadings and papers on file, the attached memorandum of points and authorities, and any exhibits referenced therein, and any oral argument this court may entertain.

## **MEMORANDUM OF POINTS AND AUTHORITIES**

### **I. INTRODUCTION<sup>1</sup>**

Plaintiff’s motion should be denied because there is neither any “clear error,” nor any “controlling matter” that this Court erroneously “overlooked or misapprehended,” in the March 12, 2018 Order (the “Order”), as Plaintiff contends. (Plaintiff’s Br., p. 4, citing *In re Ross*, 99 Nev. 657, 659, 668 P.2d 1089, 1091 (1983)). On the contrary, the Order comports with controlling Nevada Supreme Court authority, and on-point precedent from the U.S. Court of Appeals for the Ninth Circuit and other federal courts, which hold that: 1) Plaintiff cannot simultaneously sue for damages based on Milliman’s work done pursuant to the Agreement yet evade the Agreement’s arbitration clause; 2) Plaintiff must arbitrate her tort, contract and statutory claims together because they all arise from and relate to the same work done pursuant to the Agreement; and 3) the standard for “reverse preemption” under the McCarren-Ferguson Act is not met where, as here, a liquidator brings straightforward common law claims on behalf of an insolvent insurer, because compelling a liquidator to arbitrate such claims does not interfere with the State’s regulation of insurance.

<sup>1</sup> Capitalized terms not defined herein shall have the meaning ascribed to them in this Court’s Order Granting Milliman’s Motion To Compel Arbitration.

1 An Iowa trial court's February 6, 2018 Order (the "Iowa Order") does not warrant a  
2 change to this Court's analysis or holding. While Milliman believes that the Iowa Order  
3 contravenes applicable Iowa and federal law, and it is appealing the Iowa decision, that decision  
4 has no precedential or persuasive value here in light of several important differences between the  
5 liquidators' respective cases, and between the Iowa and Nevada liquidation statutes.

6 **First**, unlike the Iowa Liquidators, who did not sue Milliman for breach of contract,  
7 Plaintiff here brings several contract claims against Milliman. This action therefore falls squarely  
8 within the line of cases this Court cites in its Order (*see* Order, p. 5) which hold that "if the  
9 liquidator wants to enforce [an insurer's] rights under its contract, she must also assume its  
10 perceived liabilities." *Bennett v. Liberty Nat. Fire Ins. Co.*, 968 F.2d 969, 972, n.4 (9th Cir. 1992).  
11 Neither Plaintiff, nor the Iowa Court, have cited a single case that holds otherwise. Plaintiff  
12 rehashes her contention that her tort claims cannot be arbitrated, however Milliman conclusively  
13 established—and this Court agreed—that **all** of Plaintiff's causes of action, regardless of how  
14 Plaintiff labeled them, arise from and relate to the work Milliman performed pursuant to the  
15 Milliman-NHC Agreement, without which Plaintiff would have no claims whatsoever. (*See*  
16 Milliman Motion To Compel Arbitration, p. 6; Milliman Reply Br., pp 6-7). Plaintiff's  
17 bifurcation argument thus contravenes the Nevada Supreme Court's controlling holding that "if  
18 the allegations underlying the claims so much as touch matters covered by the parties' agreements,  
19 then those claims must be arbitrated." *Helfstein v. UI Supplies*, 127 Nev. 1140 (2011)  
20 (unpublished) (citation omitted). All of Plaintiff's claims can and should be arbitrated together,  
21 and Plaintiff cites no law to justify bifurcation under these circumstances.

22 **Second**, the Iowa Court's decision was based, in part, on the Iowa Liquidators' purported  
23 exercise of their statutory right to "disavow" the contract. (Iowa Order, p. 5, citing Iowa Code §  
24 507C.21(1)(k)). Plaintiff neither claims to have, nor has purported to exercise, such a right.<sup>2</sup> Of  
25 course, Plaintiff cannot "disavow" the Agreement given that a party cannot simultaneously  
26 disavow and sue to enforce a contract.

27  
28 <sup>2</sup> The Receivership Order permits Plaintiff to disavow only "leases or executory contracts."  
(Receivership Order, §14(p)).

1           **Third**, the Iowa and Nevada liquidation statutes are not “uniform,” as Plaintiff asserts, and  
2 the Iowa Court based its decision on provisions of the Iowa Liquidation Act that have no  
3 corollary under Nevada law. For example, the Iowa Court’s holding that the Iowa Liquidation  
4 Act reverse preempts the FAA was based on the Iowa Act’s statement that “[p]roceedings in  
5 cases of insurer insolvency and delinquency are deemed an integral aspect of the business of  
6 insurance and are of vital public interest and concern.” (*Id.* at 6, n.6). While the Iowa Court erred  
7 because this language does not justify reverse preemption of the FAA, neither the Nevada  
8 liquidation statute nor the Receivership Order contains the same or similar language. This Court,  
9 unlike the Iowa Court, correctly rejected Plaintiff’s reverse preemption argument based on on-  
10 point appellate precedent holding that compelling a liquidator to arbitrate straightforward contract  
11 and tort claims does not implicate the State’s regulation of insurance or interfere with a  
12 liquidator’s statutory functions. (Order, p. 8, citing, *inter alia*, *Quackenbush v. Allstate Ins. Co.*,  
13 121 F.3d 1372, 1381-82 (9th Cir. 1997)).

14           The Iowa Order reflects nothing more than one court’s (incorrect) interpretation of Iowa  
15 law, and specifically that court’s view that “the liquidation statutes in most other states do not  
16 approximate the depth and breadth of the authority granted to the Liquidators by the [Iowa]  
17 Legislature under the Act.” (Iowa Order, p. 6, n.5). **This** Court’s Order is entirely consistent with  
18 **Nevada** statutory and case law, as well as relevant federal precedent.

19           Finally, Plaintiff’s request for this Court to “clarify” its statement that “Plaintiff has not  
20 pled any viable causes of action that actually belong to NHC’s creditors” (Order, p. 7) is  
21 meritless. This finding was not intended to be a substantive determination concerning the  
22 viability of Plaintiff’s claims against Milliman, but rather a determination that those claims  
23 belonged solely to NHC (and now to Plaintiff) and do not belong to NHC’s creditors. Plaintiff  
24 raised this precise argument in its January 31, 2018 letter to this Court, which urged the Court not  
25 to include the language now at issue in its final Order. Notwithstanding Plaintiff’s request, this  
26 Court correctly included the relevant language. Both a directly applicable Nevada statute and  
27 controlling Nevada Supreme Court authority (*see infra*, pp. 13-14) make clear that Plaintiff has  
28 pled no viable causes of action that belong to NHC’s creditors.

1 For all of the reasons articulated below, as well as in Milliman's briefs supporting its  
2 motion to compel arbitration, and at the January 9, 2018 hearing on the motion, this Court's Order  
3 is entirely correct. Plaintiff's motion for reconsideration should be denied.

## 4 II. ANALYSIS

### 5 A. **There Is No Basis To Reconsider This Court's Order, Which Is Correct and Fully 6 Supported By Controlling and Persuasive Authority**

7 Reconsideration of this Court's Order is not warranted because nothing in it is "clearly  
8 erroneous," and Plaintiff has not introduced "substantially different evidence" to support a  
9 contrary ruling. *Masonry & Tile Contractors Ass'n of S. Nev. v. Jolley, Urga & Wirth Ltd.*, 113  
10 Nev. 737, 741 P.2d 486, 489 (1997). Rather, every holding in the Order is well-supported by on-  
11 point, controlling or persuasive precedent that Plaintiff cannot refute, either in its opposition to  
12 Milliman's motion to compel, at oral argument, or again on this motion. We highlight this  
13 Court's key rulings, and the precedent behind them, in order to demonstrate that Plaintiff has  
14 failed to meet her burden on this motion.

#### 15 1. **This Court Correctly Held That Because Plaintiff is Suing to Enforce the 16 Agreement, Plaintiff Must Abide by the Agreement's Arbitration Provision**

17 The Order comports with the Nevada Supreme Court's holding in *Ahlers v. Ryland*  
18 *Homes*, 126 Nev. 688, 367 P.3d 743 (2010) (unpublished), that a party cannot seek to enforce an  
19 agreement and "simultaneously avoid other portions of the agreement, such as the arbitration  
20 provision." (Cited at Order, p. 5).

21 The Court also correctly determined this well-settled rule applies with equal force against  
22 insurance liquidators, as courts around the country have uniformly held. *See, e.g., Bennett*, 968  
23 F.2d at 972, n.4 (9th Cir. 1992); *Poizner v. National Indem. Co.*, No. 08CV772-MMA, 2009 WL  
24 10671673, at \*3-4 (S.D. Cal. Jan. 6, 2009); *Garamendi v. Caldwell*, No. CV-91-5912-  
25 RSWL(EEX), 1992 WL 203827, at \*3 (C.D. Cal. May 4, 1992); *Koken v. Cologne Reins.*  
26 *(Barbados), Ltd.*, 34 F. Supp. 2d 240, 256 (M.D. Pa. 1999); *Costle v. Fremont Indem. Co.*, 839 F.  
27 Supp. 265, 275 (D. Vt. 1993); *Rich v. Cantilo & Bennett*, 492 S.W.3d 755, 762 (Tex. Ct. App.  
28 2016); *State v. O'Dom*, No. 2015CV258501, 2015 WL 10384362, at \*5 (Ga. Super. Ct. Sept. 18,  
2015) (cited at Order, p.5).

1 Plaintiff cites *no* authority to show that this Court’s holdings were wrong. In both *Taylor*  
2 *v. Ernst & Young, LLP*, 958 N.E.2d 1203 (Ohio 2011), and the Iowa Order—in which the  
3 respective liquidators did not bring contract claims on behalf of the insolvent insurer—the courts  
4 determined that the liquidators were not seeking to enforce the agreement at issue.<sup>3</sup> Plaintiff  
5 cannot argue the same here given she has brought several contract claims arising from Milliman’s  
6 alleged failure to perform its work pursuant to the Agreement, as well as tort claims that relate to  
7 the very same work. With respect to the Louisiana trial court decision on which Plaintiff relies,  
8 the Louisiana court improperly ignored whether the Rehabilitator’s claims arose out of or related  
9 to the contract. Moreover, the Louisiana First Circuit Court of Appeal recently granted  
10 Milliman’s application for a writ of certiorari for an expedited interlocutory appeal, stayed further  
11 proceedings in the trial court, and set the appeal for oral argument on May 16, 2018.

12 **2. This Court Correctly Held That Plaintiff’s Claims Against Milliman Are Pre-**  
13 **Insolvency Damages Claims that Belonged Solely to NHC, Therefore Plaintiff**  
14 **Stands in NHC’s Shoes and Must Abide by NHC’s Contractual Obligations**

15 This Court correctly held that Plaintiff cannot evade the Agreement’s arbitration clause  
16 simply by claiming to act on behalf of NHC’s policyholders and creditors. Because Plaintiff’s  
17 claims against Milliman *belonged* solely to NHC, not to its creditors or policyholders, Plaintiff  
18 here stands directly in NHC’s shoes, and must abide by all of NHC’s contractual obligations. *See,*  
19 *e.g., Bennett*, 968 F.2d at 972 (stating that if a “dispute is in essence a contractual one, it should  
20 be arbitrated. And because the liquidator, who stands in the shoes of the insolvent insurer, is  
21 attempting to enforce [the insurer’s] contractual rights, she is bound by [the insurer’s] pre-  
22 insolvency agreements”); *Quackenbush, supra*, 121 F.3d at 1380 (same); *Hays & Co. v. Merrill*  
23 *Lynch, Pierce, Fenner & Smith, Inc.*, 885 F.2d 1149, 1154 (3d Cir. 1989) (holding that  
24 bankruptcy trustee’s claims against Debtor’s securities broker for state and federal securities  
25 violations were arbitrable because they were based on debtor’s pre-bankruptcy rights, and did not  
26 arise from the Bankruptcy Code) (cited at Order, p. 7).

27  
28 <sup>3</sup> The Iowa Court’s decision was also based on the liquidators’ disavowal of the agreement (Iowa  
Order, p. 5), a power Plaintiff does not have under Nevada law or the Receivership Order.

1 This Court also properly recognized the distinction between claims that *belong* to NHC’s  
2 creditors or policyholders, and claims that belong to NHC but may ultimately *benefit* its creditors  
3 or policyholders by increasing the “coffers” of NHC’s estate. (Order, p. 8). Plaintiff’s claims  
4 irrefutably fall within the latter category, and are arbitrable. *See, e.g., Suter v. Munich Reins. Co.*,  
5 223 F.3d 150, 161 (3d Cir. 2000).

6 **3. This Court Correctly Rejected Plaintiff’s “Reverse Preemption” Argument**

7 This Court correctly rejected Plaintiff’s contention that the Nevada Liquidation Act  
8 reverse-preempts the FAA under the McCarren-Ferguson Act, 15 U.S.C. §§ 1011-1015. The  
9 Order cites several on-point decisions that reject the argument Plaintiff raises here that forcing a  
10 statutory liquidator to arbitrate straightforward breach of contract claims either implicates the  
11 business of insurance or interferes with the liquidator’s statutory function. (Order, pp. 8-9, *citing*,  
12 *inter alia*, *Quackenbush, supra*, 121 F.3d at 1381-82 (holding that arbitration of the liquidator’s  
13 common law tort and contract “claims against Allstate—which [the liquidator] has pursued  
14 outside the statutory insolvency proceedings—will not interfere with California’s insolvency  
15 scheme”); *AmSouth Bank v. Dale*, 386 F.3d 763, 783 (6th Cir. 2004) (no reverse preemption  
16 where liquidator’s “ordinary [tort and contract] suit against a tortfeasor” did not implicate the  
17 “regulation of the business of insurance”).

18 Plaintiff’s contention that the Nevada Liquidation Act generally “regulates the business of  
19 insurance” (Plaintiff’s Br., p. 6, *citing* Iowa Order, p. 6) does not speak to, much less refute, this  
20 Court’s holding, and the holdings cited above, that a liquidator’s standard contract and tort action  
21 against a third party does not implicate or conflict with a state’s regulation of insurance. As the  
22 U.S. Third Circuit Court of Appeals stated in *Grode v. Mutual Fire, Marine and Inland Insurance*  
23 *Co.*:

24 The complex regulations relating to insolvent insurance companies have to  
25 do with plans of rehabilitation and payment to policy holders. Simple  
26 contract and tort actions that happen to involve an insolvent insurance  
company are not matters of important state regulatory concern or complex  
state interests.

27 8 F.3d 953, 959 (3d Cir. 1993). Section 696B.290(5) of the Nevada Liquidation Act, on which  
28 Plaintiff erroneously relies, affirms that certain aspects of liquidation do not involve the “business

1 of insurance,” as it confers on a receiver the power to “to conduct the business of the insurer *or* to  
2 take such steps as are authorized by this chapter for the purpose of rehabilitating, liquidating, or  
3 conserving the affairs or assets of the insurer.” (emphasis added).

4 In all events, Plaintiff ignores this Court’s holding that the standard for reverse preemption  
5 is not satisfied for the additional reason that there is no conflict between the Nevada Liquidation  
6 Act and the FAA. (Order, p. 9). Plaintiff also ignores this Court’s holding that, even if the FAA is  
7 somehow inapplicable, the *Nevada* Arbitration Act, which is not pre-empted, is substantively  
8 identical to the FAA and mandates enforcement of the Agreement’s arbitration clause. (*Id.*).

9 **4. So-Called “Policy Considerations” Cited in the Iowa Order Cannot  
Supersede the Agreement’s Arbitration Clause**

10 While Plaintiff argues that “policy considerations” outlined in the Iowa Order require this  
11 Court to reconsider its decision (Plaintiff’s Br., p. 5), the Iowa Order was based on that Court’s  
12 interpretation of elements of Iowa law that are not applicable in Nevada. For example, the Iowa  
13 Court held that “[f]orcing the Liquidators to arbitrate would interfere with,” *inter alia*, “the  
14 Liquidators’ authority to disavow the Agreement.” (Iowa Order, p. 5). Plaintiff has no right to  
15 disavow non-executory contracts under Nevada law.<sup>4</sup> The Court also held that arbitration would  
16 contravene the Iowa Liquidation Act’s express statement that the Act’s “purpose... is the  
17 protection of the interests of insureds, claimants, creditors, and the public.” (*Id.* at 6, n.6, *quoting*  
18 Iowa Code §507C.1(4)). Neither the Nevada statute nor the Receivership Order includes such  
19 language. Finally, the Iowa Court held that compelling arbitration would vitiate the Iowa  
20 Liquidators’ purported “right of forum selection under the [Iowa Liquidation] Act.” (*Id.* at 5).  
21 Plaintiff does not have the unilateral right of forum selection under Nevada law, as evidenced by  
22 the fact that: 1) Plaintiff was compelled to sue the U.S. Department of Health & Human Services  
23 (“HHS”) in federal court as required by federal law and a contractual forum selection clause in  
24 the NHC-HHS agreement; and 2) Judge Cory, who entered the Receivership Order and presides  
25 over the liquidation proceedings, denied Plaintiff’s request to coordinate and consolidate  
26 Plaintiff’s action against Milliman with the liquidation proceeding.

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27  
28 <sup>4</sup> Milliman disputes the Iowa Court’s holding that the Iowa Liquidators have the power to  
disavow non-executory contracts or the unilateral right to choose where to litigate.



1           Moreover, the Iowa Court erred by relying on so-called “policy considerations” to vitiate  
2 an otherwise binding arbitration clause. *See Quackenbush*, 121 F.3d at 1382 (holding that trial  
3 court “had no discretion to consider public-policy arguments in deciding whether to compel  
4 arbitration under the FAA”), citing *Dean Witter Reynolds, Inc. v. Byrd*, 470 U.S. 213, 218  
5 (1985). This Court should decline Plaintiff’s invitation to make the same error.

6           While Plaintiff tries to portray this Court’s Order as an “outlier,” the abundant authority  
7 discussed above, as well as in the Order itself, definitively belie Plaintiff’s position. The Order is  
8 in complete accord with Nevada caselaw and relevant federal authority, and neither the Iowa  
9 Order—which cites no law other than the Iowa Liquidation Act—nor any of Plaintiff’s other  
10 arguments for reconsideration demonstrate “clear error” in any aspect of this Court’s analysis.  
11 Plaintiff has therefore failed to meet her burden on this motion.

12       **B. Plaintiff’s Request for Bifurcation of Certain Claims Is Without Merit**

13           There is no basis to bifurcate any of Plaintiff’s claims. Plaintiff does not, and cannot,  
14 dispute that every cause of action she brings against Milliman is based on Milliman’s alleged  
15 failure to perform its contracted-for services adequately. *See, e.g.,* Compl. ¶¶ 333-336  
16 (malpractice cause of action based on allegation that “Milliman Defendants were engaged by  
17 NHC and its predecessors to provide actuarial services to NHC” and failed to provide those  
18 services adequately); *id.* at ¶ 323 (negligence *per se* claim based on Milliman’s alleged failure to  
19 provide certification required pursuant to NRS 681B); ¶¶ 340-344 (fraud claim based on alleged  
20 false statements in feasibility study); ¶¶ 355-56, 395-398 (negligence claims based on alleged  
21 failure to exercise reasonable care in preparing feasibility study, and in calculating premiums,  
22 financial projections and reserves); ¶ 402 (unjust enrichment claim seeks to recoup fees NHC  
23 paid to Milliman for actuarial services required by Agreement); ¶¶ 407-413, 755, 762 (civil  
24 conspiracy and concert of action claims based on preparation of allegedly false financial  
25 information).

26           Because Plaintiff’s causes of action all arise from and relate to Milliman’s work under the  
27 Agreement, they all fall within the Agreement’s broad arbitration provision, which encompasses  
28 all claims relating to Milliman’s “engagement” by NHC. As the Nevada Supreme Court stated in

1 *DR Partners v. Las Vegas Sun, Inc.*, “[c]ourts should... order arbitration of particular grievances  
2 unless it may be said with *positive assurance* that the arbitration clause is not susceptible of *an*  
3 interpretation that covers the asserted dispute.” No. 68700, 2016 WL 2957115, \*2 (Nev. May 19,  
4 2016) (quoting *City of Reno v. Int’l Ass’n of Firefighters, Local 731*, 340 P.3d 589, 593 (Nev.  
5 2014)) (emphases in original); *Helfstein, supra*, 373 P.3d 921, at \*2 (granting motion to compel  
6 arbitration of tort and contract claims and stating that “if the allegations underlying the claims so  
7 much as touch matters covered by the parties’ agreements, then those claims must be arbitrated”  
8 (citation omitted)); *Rodriguez v. AT&T Servs., Inc.*, No. 2:14-cv-01537, 2015 WL 6163428, at \*8  
9 (D. Nev. Oct. 20, 2015) (“[S]o long as the phone call that allegedly triggered the offending credit  
10 inquiry collaterally touches upon the Business Agreement or has some roots in the contractual  
11 relationship between the parties, Plaintiff’s claims fall within the scope of the arbitration  
12 provision.”). Here, there is **no** reasonable interpretation of the Agreement’s arbitration clause that  
13 would allow Plaintiff to evade arbitration. Once again, Plaintiff offers no legal authority to  
14 support her contention that certain of her claims cannot be arbitrated.<sup>5</sup>

15 There is no reason to bifurcate Plaintiff’s so called “statutory” claim, which is actually a  
16 negligence *per se* cause of action that simply re-asserts Plaintiff’s core allegation that Milliman  
17 failure to perform properly the work called for by the Agreement. Plaintiff cites no support for  
18 the notion that a negligence claim cannot be arbitrated if it involves an alleged breach of a  
19 statutory duty. On the contrary, the Nevada Supreme Court has **required** claims based on an  
20 alleged breach of a statutory duty to be arbitrated together with tort and contract claims where, as  
21 here, the plaintiff’s “basis for claiming injury and grounds for redress stem from rights he  
22 allegedly received pursuant to” an agreement containing a broad arbitration clause. *Phillips v.*  
23 *Parker*, 106 Nev. 415, 418, 794 P.2d 716, 718 (1990) (compelling arbitration of Civil RICO and  
24 tort claims that “‘relate to’ the agreement as provided in the arbitration clause”). Additionally,  
25 enforcing the arbitration clause will not allow Milliman to “contract around” its statutory  
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27 <sup>5</sup> The only case Plaintiff cites in support of her bifurcation argument **rejects** bifurcation. See *Law*  
28 *Offices of Bradley J. Hofland, P.C. v. McFarling*, 2007 WL 1074096 (D. Nev. Apr. 9. 2007)  
(Plaintiff’s Br., p. 10).

1 obligations, as Plaintiff erroneously contends. Plaintiff can present her negligence *per se* claim in  
2 full at an arbitration.

3 Plaintiff's contention that her conspiracy claims cannot be arbitrated is likewise  
4 unavailing. The Nevada Supreme Court's decision in *Helfstein v. UI Supplies* is instructive here.  
5 There, the respondents argued that their cross-claims arising under an asset purchase and sale  
6 agreement ("PSA"), which contained an arbitration clause, had to be litigated in the District Court  
7 together with plaintiffs' claims arising under a separate consulting agreement, because the cross-  
8 claim defendants were "indispensable to the consulting agreement dispute and to respondents'  
9 defense against plaintiffs' claims." 373 P.3d 921, at \*1. The Supreme Court rejected that  
10 argument, and required the cross-claims to be arbitrated as required by the PSA. *Helfstein* thus  
11 stands for the proposition that an otherwise valid and binding arbitration clause is enforceable,  
12 even if it requires a plaintiff to litigate in multiple forums. Of course, if the law were otherwise, a  
13 plaintiff could defeat an arbitration clause simply by suing multiple defendants, some of whom  
14 are governed by an arbitration agreement, some of whom are not. Clearly, that is not the law.

15 This Court did not "overlook" or "misapprehend" any of the arguments Plaintiff raises on  
16 this motion to support bifurcation. In the Order, and at the oral argument on Milliman's motion,  
17 the Court expressly—and correctly—stated that the substance of Plaintiff's claims matters more  
18 than the labels Plaintiff chose to attach to them.

19 **C. There Is No Need For This Court To "Clarify" Its Statement That "Plaintiff Has Not**  
20 **Pled Any Viable Causes of Action that Actually Belong to NHC's Creditors"**

21 This Court's statement that "Plaintiff has not pled any viable causes of action that actually  
22 belong to NHC's creditors" is neither a substantive determination on the merits of Plaintiff's  
23 claims, nor an infringement on the arbitration panel's jurisdiction. It does not affect the proofs  
24 either party will have to submit, the applicable legal standards, or the damages Plaintiff can claim.  
25 The holding is merely an acknowledgement that Plaintiff's claims against Milliman belonged to  
26 NHC, and do not belong to NHC's creditors.

27 Moreover, the Court's statement fully accords with Nevada law. As Milliman  
28 demonstrated in its motion to compel (*see* Reply Br., p. 8), any alleged harm NHC's creditors

1 suffered is not actionable because it is derivative of the alleged harm to NHC. *See Pompei v.*  
2 *Clarkson*, No. 66459, 2016 WL 3486375, at \*2 (Nev. June 23, 2016) (holding that creditors of an  
3 insolvent corporation do not have standing to “assert derivative claims on behalf of insolvent  
4 corporations”); *see also* Compl. ¶ 3 (“This complaint concerns certain providers of services to,  
5 and management of, NHC, and how their conduct . . . caused substantial losses to NHC and,  
6 **ultimately**, the other parties represented by Commissioner.”) (emphasis added). Likewise, an  
7 actuary cannot be liable for negligence to anyone other than the “affected insurer or the  
8 [Insurance] Commissioner.” NRS 681B.250.

9 Notably, Plaintiff still has never specified which of their causes of action they contend  
10 belong to NHC’s creditors, despite having had two briefs and an oral argument in which to do so.  
11 In support of this motion, Plaintiff merely cites to the first paragraph of its Complaint, which  
12 states generally that “Plaintiff... has brought this action on behalf of NHC, NHC’s members,  
13 insured enrollees, and creditors.” (Plaintiff’s Br., p. 7). That generalized statement is not enough  
14 to state an actionable claim against Milliman on behalf of NHC’s creditors.

15 The fact that Milliman has filed a proof of claim in the Receivership Action does not  
16 contradict the language at issue. This Court stated that “**Plaintiff’s action against Milliman** does  
17 not involve set offs or proofs of claim.” (Order, p. 7) (emphasis added). As this Court correctly  
18 determined, “[t]his action is separate and apart from the Receivership Action and it neither  
19 threatens or states an interest in NHC assets or property.” (*Id.*)

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**CONCLUSION**

For all of the reasons discussed above, Milliman respectfully requests that the Court enter an order denying Plaintiff's motion for reconsideration.

DATED this 16th day of April, 2018.

SNELL & WILMER L.L.P.

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**CERTIFICATE OF SERVICE**

I am a resident of the State of Nevada, over the age of eighteen years, and not a party to the within action. My business address is 3883 Howard Hughes Parkway, Suite 1100, Las Vegas, Nevada 89169. On the below date, I served the above **MILLIMAN'S OPPOSITION TO PLAINTIFF'S MOTION FOR RECONSIDERATION** as follows:

<input type="checkbox"/>	<b>BY FAX:</b> by transmitting via facsimile the document(s) listed above to the fax number(s) set forth below on this date before 5:00 p.m. pursuant to EDCR Rule 7.26(a). A printed transmission record is attached to the file copy of this document(s).
<input type="checkbox"/>	<b>BY HAND:</b> by personally delivering the document(s) listed above to the person(s) at the address(es) set forth below.
<input type="checkbox"/>	<b>BY MAIL:</b> by placing the document(s) listed above in a sealed envelope with postage thereon fully prepaid, in the United States mail at Las Vegas, Nevada addressed as set forth below.
<input type="checkbox"/>	<b>BY E-MAIL:</b> by transmitting via e-mail the document(s) listed above to the e-mail address(es) set forth below.
<input type="checkbox"/>	<b>BY OVERNIGHT MAIL:</b> by causing document(s) to be picked up by an overnight delivery service company for delivery to the addressee(s) on the next business day.
<input type="checkbox"/>	<b>BY PERSONAL DELIVERY:</b> by causing personal delivery by _____, a messenger service with which this firm maintains an account, of the document(s) listed above to the person(s) at the address(es) set forth below.
X	<b>BY ELECTRONIC SUBMISSION:</b> submitted to the above-entitled Court for electronic filing and service upon the Court's Service List for the above-referenced case.

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DATED: April 16, 2018.

/s/ Lyndsey Luxford

An Employee of Snell & Wilmer L.L.P.