

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 07-E-0517

In the Matter of the Rehabilitation of
Patriot Health Insurance Company, Inc.

LIQUIDATOR'S FIRST REPORT

I, Roger A Sevigny, Insurance Commissioner, as Liquidator ("Liquidator") of Patriot Health Insurance Company, Inc. ("Patriot") hereby submit my first report on the liquidation of Patriot in accordance with RSA 402-C:26, I(c) and the orders of rehabilitation and liquidation for Patriot.

1. The Court entered an Order of Liquidation for Patriot on January 18, 2008 (the "Order of Liquidation"). The Court had previously entered an Order Appointing Rehabilitator for Patriot on December 10, 2007 ("Rehabilitation Order").

2. Statement of operations during rehabilitation. The Rehabilitation Order ¶ (i) directed the Rehabilitator to provide quarterly accountings to the Court. Since the rehabilitation proceeding was terminated by the Order of Liquidation ¶ (a), the Liquidator submits as Exhibit A an unaudited statement of operations for Patriot for the rehabilitation period (December 12, 2007 to January 17, 2008).

3. Notice. The Order of Liquidation ¶ (x) established a Claim Filing Deadline for claims against Patriot of July 18, 2008. The Order of Liquidation ¶ (y) directed to provide notice of the liquidation order and claim filing deadline to potential claimants pursuant to RSA 402-C:26 by mailing the notice and proof of claim form by first class mail to all persons known or reasonably expected to have claims against Patriot, including all policyholders.

4. Notice by mail. Since entry of the Order of Liquidation on January 18, 2008, notice of the liquidation has been provided by mailing the notice of the liquidation attached as Exhibit B and the proof of claim form attached as Exhibit C by first class mail to the following:

a. Employees and former employees: Patriot's former chief financial officer (now consultant to the Liquidator) prepared a list from Patriot's records of the names and addresses of nineteen former Patriot employees (consisting of all the employees from the inception of the company).

b. Vendors: The vendor listing from Patriot's accounts payable ledger provided the names and addresses of 402 vendors of Patriot to whom payments have been made.

c. Providers: The third party administrator for Patriot, EBPA, provided the list of the names and address of the 2,730 provider payees to whom a payment was made by Patriot through EBPA from January 1, 2007 to January 15, 2008. EBPA also provided the list of the names and addresses of the 1,244 providers that Patriot considered inactive.

d. Members: The third party administrator for Patriot, EBPA, provided a list of the names and addresses of 4,865 Patriot members and beneficiaries (dependents) from the EBPA database.

e. Employers/policyholders: EBPA also provide the names and address of the 333 employers with health insurance policies from Patriot.

f. Directors/shareholder: Patriot's former chief financial officer (now consultant to the Liquidator) prepared a list of the names and addresses of the 10 present and former members of Patriot's board of directors and of Patriot's sole shareholder.

5. The names and addresses for the lists were combined and duplicates removed, leaving a total of 8,972 potential claimants consisting of 19 employees, 398 vendors, 8,544 providers, members and employers, 10 directors and 1 shareholder. The notice and proof of claim forms were mailed to these potential claimants between January 30 and February 1, 2008.

6. Publication notice. The Liquidator will publish notice of the liquidation in compliance with RSA 402-C:26, I in the next month.

7. Other notice. The Order of Liquidation was posted on the New Hampshire Insurance Department website on January 18, 2008, and the liquidation notice and proof of claim form were posted on the New Hampshire Insurance Department website on January 24, 2008.

Respectfully submitted,



Roger A. Sevigny, Insurance
Commissioner, as Liquidator of
Patriot Health Insurance Company,
Inc.

February 4, 2008

Exhibit A

Patriot Health Insurance Company in Rehabilitation
Unaudited Statement Of Operations December 12, 2007 to January 17, 2008
(including amounts accrued but not received or paid)

	<u>Total</u>
Receipts [includes \$267,200 accrual]	\$596,567
Interest Income	<u>\$6,064</u>
Total Revenue	\$602,631
EBPA Claim Administration	\$178,079
Losses [includes \$1,351,541 IBNR accrual]	\$4,003,195
Employee Payroll and Severance	\$79,055
Special Deputy Cost [includes \$13,500 accrual]	\$22,000
Brokerage Commissions	\$90,971
Legal Expenses	\$41,311
Tandem Injury Management	\$13,216
Trade Payables [accrual]	\$29,770
Premium Tax [accrual]	\$221,500
Summit Reinsurance	\$46,917
NH Sm ER Reinsurance Pool	\$10,595
Rehabilitator Expenses [accrual]	\$156,500
Other Rehabilitation Costs	<u>\$27,106</u>
Total Payments and Expenses	\$4,920,215
Income (Loss)	<u><u>(\$4,317,584)</u></u>



The State of New Hampshire
Insurance Department
21 South Fruit Street, Suite 14
Concord, NH 03301

Exhibit B

Roger A. Seigny
Commissioner

Alexander K. Feldvebel
Deputy Commissioner

**IMPORTANT NOTICE REGARDING
PATRIOT HEALTH INSURANCE COMPANY, INC. IN
LIQUIDATION**

Dear Policyholders, Subscribers, Members, Healthcare Providers, Producers, Attorneys, Employees, Vendors and Other Potential Claimants of Patriot Health Insurance Company, Inc. ("Patriot"):

This notice contains important information about what those with claims against Patriot need to do to protect their interests.

Background

On December 12, 2007, the New Hampshire Insurance Commissioner obtained an order from the Merrimack County Superior Court (the "Court") placing Patriot in court-supervised rehabilitation. The Court also approved an agreement transferring Patriot's health insurance policies in effect as of 11:59 PM on December 31, 2007 to MVP Health Insurance Company of New Hampshire ("MVP"). Notices of the Court's order and the transfer of Patriot policies was placed on the websites of the New Hampshire Insurance Department and MVP.

The transfer of in force policies took place as of January 1, 2008 and MVP is using the same administrator and provider network.

On January 18, 2008, an Order of Liquidation was entered by the Court, placing Patriot in liquidation because of its financial impairment. **The Order of Liquidation does not affect the policies transferred to MVP as of January 1, 2008. Coverage under those policies is being provided by MVP on and after that date.** However, as described in more detail below, the Court's order does affect claims incurred under Patriot policies prior to January 1, 2008 and non-policyholder level claims. If you have a claim under a Patriot policy incurred prior to January 1, 2008 or a non-policyholder level claim, the information below describes how to submit that claim.

Persons with Policy-Related Claims Incurred On and After January 1, 2008

You should look to MVP for uninterrupted coverage for policies transferred to it as of January 1, 2008. As of that date, you were no longer covered by Patriot, and you became covered by MVP. Nevertheless, because MVP is currently administering those

transferred policies in the same way, claim or coverage questions can continue to be directed to the contact phone number on Patriot membership cards – (800) 597-7728.

Persons with Policy- Related Claims Incurred Prior to January 1, 2008

If you are a Patriot subscriber or member, or a healthcare provider submitting a claim on behalf of a Patriot subscriber or member, and you have a covered claim incurred prior to January 1, 2008, your claim is a Patriot obligation. Generally, the payment of such claims will be funded by the New Hampshire Life and Health Insurance Guaranty Association (“Guaranty Association”) subject to statutory limitations.

By law a provider of medical services in New Hampshire who participates in the health insurer’s provider network is required to look only to the covered person’s insurer for payment and is not legally permitted to recover directly from the covered person should the insurer fail to meet its obligations.

Until further notice, claims should be submitted as in the past (on the same forms and to the same address) and any claim questions should still be directed to the contact number appearing on Patriot membership cards – (800) 597-7728. The Guaranty Association is an association of insurers created by law to protect, subject to certain limitations, persons against failure in the performance of contractual obligations of health insurance policies issued by a member company that becomes insolvent. The maximum amount paid by the Guaranty Association on covered claims is \$100,000 per covered person.

Patriot subscribers or members, or healthcare providers submitting a claim on behalf of a Patriot subscriber or member, need NOT submit the enclosed Proof of Claim form to Patriot’s liquidator. Until further notice, the submission of claim forms and billings in the normal course to the claim administrator at the same address as in the past will be considered proof of claim for all submissions received through July 18, 2008. If you are not able to so submit your claim by July 18, 2008, in order to protect your rights, you should file a Proof of Claim by the July 18, 2008 deadline.

The Court has set July 18, 2008 as the deadline for submitting all claims against Patriot.

Producers, Attorneys, Vendors, and other General Creditors

Producers, attorneys, vendors, and other general creditors must file a Proof of Claim in order to preserve their claim. These claims would include, for example, earned commissions and goods and services provided by vendors and trade creditors prior to December 12, 2007, the date Patriot was placed into rehabilitation. Payment of these claims may be made in the future, but only in the event that sufficient assets are available to pay all higher priority claimants, including persons with policy related claims, in accordance with law.

Vendors who provided products or services after the entry of the rehabilitation order on December 12, 2007, will be paid in the ordinary course of business and need not file a Proof of Claim.

The Court has set July 18, 2008 as the deadline for submitting all claims against Patriot.

Questions About the Proof of Claim Process

If you have questions about the Patriot proof of claim process, please call (800) 347-0014 for assistance.

**Roger A. Sevigny, New Hampshire Insurance Commissioner,
as Liquidator of Patriot Health Insurance Company**

PROOF OF CLAIM

Patriot Health Insurance Company, Inc,

Merrimack County Superior Court, State of New Hampshire 07-E-0517

Read Carefully Before Completing This Form

Please print or type

FOR LIQUIDATOR'S USE ONLY

DATE PROOF OF CLAIM RECEIVED

The Deadline for Filing this Form is July 18, 2008.

You should file this Proof of Claim form if you have an actual or potential claim against Patriot Health Insurance Company, Inc. ("Patriot") even if the amount of the claim is presently uncertain. To have your claim considered by the Liquidator, this Proof of Claim must be postmarked no later than July 18, 2008. Failure to timely return this completed form will likely result in the DENIAL OF YOUR CLAIM. You are advised to retain a copy of this completed form for your records.

- 1. Claimant's Name: _____
- 2. Claimant's Address: _____

- 3. Claimant's Telephone Number: (____) _____
Fax Number: (____) _____
Email address: _____
- 4. Claimant's Social Security Number, Tax ID Number or Employer ID Number: _____
- 5. Claim is submitted by (check one):
 - a) Policyholder or former policyholder (including claims of providers by subrogation)
 - b) Employee or former employee
 - c) Broker or Agent
 - d) General Creditor
 - e) State or Local Government Entity
 - f) Other; describe: _____

If your name, address, e-mail address, or telephone number set forth above are incorrect, or if they change, you must notify the Liquidator so he can advise you of new information.

Describe in detail the nature of your claim. You may attach a separate page if desired. **Attach relevant documentation** in support of your claim, such as copies of outstanding invoices, contracts, or other supporting documentation.

6. Indicate the total dollar amount of your claim. If the amount of your claim is unknown, write the word "unknown", BUT be sure to attach sufficient documentation to allow for determination of the claim amount.

\$ _____ (if amount is unknown, write the word "unknown").

7. If you have any security backing up your claim, describe the nature and amount of such security. Attach relevant documentation.

8. If Patriot has made any payments towards the amount of the claim, describe the amount of such payments and the dates paid: _____

9. Is there any setoff, counterclaim, or other defense which should be deducted by Patriot from your claim? _____

10. Do you claim a priority for your claim? If so, why: _____

11. Print the name, address and telephone number of the person who has completed this form.

Name: _____

Address: _____

Phone Number (_____) _____

Email address _____

12. If represented by legal counsel, please supply the following information:

a. Name of attorney: _____

b. Name of law firm: _____

c. Address of law firm: _____

d. Attorney's telephone: _____

e. Attorney's fax number: _____

f. Attorney's email address: _____

13. If using a judgment against Patriot as the basis for this claim:

a. Amount of judgment _____

b. Date of judgment _____

c. Name of case _____

d. Name and location of court _____

e. Court docket or index number (if any) _____

14. All claimants must complete the following:

I, _____ (insert individual claimant's name or name of person completing this form for a legal entity) subscribe and affirm as true, under the penalty of perjury as follows: that I have read the foregoing proof of claim and know the contents thereof, that this claim in the amount of _____ dollars (\$ _____) against Patriot is justly owed, except as stated in item 9 above, and that the matters set forth in this Proof of Claim are true to the best of my knowledge and belief. I also certify that no part of this claim has been sold or assigned to a third party.

Any person who knowingly files a statement of claim containing any false or misleading information is subject to criminal and civil penalties.

Claimant's signature

Date

15. Send this completed Proof of Claim Form, postmarked by **July 18, 2008**, to:

Patriot Health Insurance Co in Liquidation
P.O. Box 1720
Manchester, New Hampshire 03105-1720

You should complete and send this form if you believe you have an actual or potential claim against Patriot even if the amount of the claim is presently uncertain.