

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 07-E-

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

**MOTION FOR EXPEDITED APPROVAL OF ASSUMPTION AGREEMENT
WITH MVP HEALTH INSURANCE COMPANY OF NEW HAMPSHIRE**

Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire (the "Commissioner"), as Rehabilitator ("Rehabilitator") of Patriot Health Insurance Company, Inc. ("Patriot"), hereby moves for expedited approval of an assumption agreement between the Rehabilitator and MVP Health Insurance Company of New Hampshire ("MVP") which is set forth in the letter attached as Exhibit A (the "Assumption Agreement"). The Assumption Agreement is conditioned upon the approval of the Court. As reasons therefore, the Rehabilitator states:

1. Patriot is a New Hampshire accident and health insurance company with its principal offices in Manchester, New Hampshire. Patriot is licensed by, and subject to regulation by, the New Hampshire Insurance Department. Affidavit of Roger A. Sevigny in Support of Motion for Approval of Assumption Agreement ("Sevigny Aff.") ¶ 3.

2. Patriot is an insurer that is conducting and has conducted insurance business in this State. Patriot specializes in consumer directed health plans, and it has a total enrollment of approximately 6,500 covered lives. Sevigny Aff. ¶ 4.

3. As set forth in the Verified Petition for Rehabilitation filed on December 11, 2007, information made available to the Commissioner from Patriot indicates that Patriot has sustained a significant operating loss in 2007 driven in large part

by very high medical claims on certain of Patriot's group health insurance policies. As a result of these operating losses, Patriot's available capital and surplus has declined below risk-based capital action levels set forth in RSA Chapter 404-F, and Patriot's available capital and surplus is believed to have declined below the \$1 million minimum capital and surplus required by RSA Chapter 401. Sevigny Aff. ¶ 5.

4. To address these issues, Patriot has engaged in a diligent search for additional capital and/or a merger with or acquisition by another insurance company or other corporation. However, Patriot has been unable to obtain access to or secure additional capital. Sevigny Aff. ¶ 6.

5. In the period leading to the filing of the Petition for Rehabilitation, the Commissioner sought to identify entities that would enter an agreement to assume Patriot's insurance business. The Commissioner sought to arrange an assumption transaction as that would avoid disruption to subscribers and policyholders, allow for continuity of care and stabilize the health insurance marketplace in New Hampshire. Sevigny Aff. ¶ 7.

6. The Commissioner has negotiated the Assumption Agreement with MVP. MVP is a New Hampshire accident and health insurance company with offices in Bedford, New Hampshire. MVP is a subsidiary of MVP Health Care, a not-for-profit health insurer headquartered in Schenectady, New York. MVP Health Care has approximately 660,000 members in New York, Vermont and New Hampshire. Sevigny Aff. ¶ 8.

7. The Assumption Agreement provides that as of 11:59 p.m. on December 31, 2007 (the "Closing Date"), MVP will assume all of Patriot's

responsibilities under its health insurance policies in effect on January 1, 2008. MVP will not assume liabilities or obligations that were incurred by Patriot prior to the Closing Date, but MVP will assume the cost of administration of claims incurred under Patriot's health insurance policies prior to the Closing Date and pay certain other Patriot expenses incurred through December 31, 2007. Sevigny Aff. ¶ 9.

8. To provide for the orderly transition of business and for continuity of service, the Assumption Agreement provides that the Rehabilitator will cooperate with MVP to extend Patriot's administrative services agreement with EBPA (the third party administrator for Patriot) and Patriot's pharmacy agreement. These agreements will be assigned to MVP, as will a Patriot's lease and several other operational agreements. MVP will also hire several of Patriot's employees. The Assumption Agreement is conditioned upon approval by the Court. The other terms of the agreement are set forth in the Assumption Agreement. Sevigny Aff. ¶ 10.

9. The Assumption Agreement is advantageous for Patriot's subscribers and policyholders. It cuts off Patriot's responsibilities under the health insurance policies as of January 1, 2008, and it eliminates claim runoff expenses. Most importantly, it provides for continuity of coverage without any disruption to policyholders and subscribers. Sevigny Aff. ¶ 11.

10. The Commissioner has tested the business elements of the Assumption Agreement by requesting proposals from other major health carriers in New Hampshire. Only two carriers responded, and they were not willing to offer to assume Patriot's business on terms as favorable as those reflected in the Assumption Agreement. Sevigny Aff. ¶ 12.

11. In the view of the Commissioner and Rehabilitator, the Assumption Agreement is fair and reasonable and in the best interests of the policyholders and subscribers of Patriot. Sevigny Aff. ¶ 13.

12. The Assumption Agreement provides that MVP will assume all of Patriot's responsibilities under its health insurance policies in effect on January 1, 2008. Because it is assuming the business from an insurer in troubled financial condition, MVP has conditioned its agreement on entry of an injunction that bars any claims against MVP respecting Patriot's obligations or liabilities not transferred to MVP pursuant to the Assumption Agreement. The Rehabilitator requests that the Court enter such an injunction as part of its order approving the Assumption Agreement. Sevigny Aff. ¶ 14.

13. The Commissioner is authorized to state that Patriot's board of directors and the New Hampshire Life and Health Insurance Guaranty Association ("NHLHIGA") do not object to the Assumption Agreement. Sevigny Aff. ¶ 15.

14. In order to minimize any potential disruption to subscribers and policyholders and facilitate the transfer of business operations under the Assumption Agreement, the Rehabilitator requests that the Court consider this motion for approval of the Assumption Agreement on an expedited basis. The Rehabilitator is not aware of any person entitled to notice as Patriot's board of directors and NHLHIGA do not object. Sevigny Aff. ¶ 16.

WHEREFORE, the Rehabilitator requests that the Court issue an order in the form submitted herewith:

- (a) granting this motion for approval of Assumption Agreement with MVP;
- (b) approving the Assumption Agreement with MVP and enjoining claims against MVP respecting Patriot's obligations or liabilities not transferred to MVP pursuant to the Assumption Agreement; and
- (c) granting such other and further relief as justice and equity may require/

Respectfully submitted,

ROGER SEVIGNY,
COMMISSIONER, NEW
HAMPSHIRE DEPARTMENT OF
INSURANCE

By his Attorneys,

KELLY A. AYOTTE
ATTORNEY GENERAL

Date: 12/11, 2007

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