STATE OF NEW HAMPSHIRE

MERRIMACK, SS. **SUPERIOR COURT**

Docket No. 07-E-0517

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

MOTION FOR APPROVAL OF CLAIM, RELEASE AGREEMENT, AND DISTRIBUTION OF ASSETS

Roger A. Sevigny, Insurance Commissioner of the State of New Hampshire ("Commissioner"), as Liquidator ("Liquidator") of Patriot Health Insurance Company, Inc. ("Patriot"), hereby moves that the Court enter an order: (a) approving the determination of the updated claim of the New Hampshire Life & Health Insurance Guaranty Association ("NHLHIGA"); (b) approving a release agreement with the United States; and, (c) approving the distribution of Patriot's assets to claimants with allowed Class II claims. As reasons therefor, the Liquidator states as follows:

Introduction

1. Patriot is a New Hampshire-domiciled insurance company subject to regulation by the New Hampshire Insurance Department. On January 18, 2008, the Court entered an Order of Liquidation placing Patriot in liquidation and appointing the Commissioner as Liquidator. By order dated October 6, 2008, the Court approved a plan providing a framework for the eventual closure of the Patriot liquidation (the "Closure Plan"). Since that time, the liquidation has been proceeding under the supervision of the Court and in accordance with the Insurers Rehabilitation and Liquidation Act, RSA 402-C. Affidavit of Peter A. Bengelsdorf, Special Deputy Liquidator ("Bengelsdorf Aff.") ¶ 2.

2. All claims against Patriot, except for the final administrative expense portion of NHLHIGA's claim, have been determined by the Liquidator and previously approved by the Court. The administrative expense portion of NHLHIGA's claim has now been determined by a final notice of determination to which NHLHIGA has agreed, in the total amount of $175,893. This represents an additional $29,354 over the $146,629 the Liquidator has already distributed to NHLHIGA in respect of previously approved determinations of its claim for administration expenses. The Liquidator requests that the Court approve his determination of NHLHIGA's Class I claim. Bengelsdorf Aff. ¶ 3.

3. To address concerns respecting the federal priority statute, 31 U.S.C. § 3713, the Liquidator has entered a release agreement with the United States, subject to approval by the Court. The Liquidator requests that the Court approve the release agreement with the United States. Bengelsdorf Aff. ¶ 4.

4. All assets of the Patriot estate that warrant collection have been collected. All claims in the Patriot estate have been determined and approved except for the final NHLHIGA administration expense claim noted above. Assuming that claim and the release agreement with the United States are approved, the Liquidator believes that a final distribution of assets to Class II creditors of the Patriot estate is appropriate at this time pursuant to RSA 402-C:46, I. Accordingly, the Liquidator seeks the Court's approval of such a distribution. Bengelsdorf Aff. ¶ 5.

5. Following final distribution to the Class II creditors of the Patriot estate, the Liquidator will address final administrative matters and move for approval to dispose of records. Once that is complete, the Liquidator will file a motion for discharge and for termination of the proceeding. Bengelsdorf Aff. ¶ 6.

Status of the Proceeding

6. Claim administration and funding. After Patriot was placed in liquidation on January 18, 2008, the Court on February 12, 2008 approved a Claim Administration and Funding Agreement between the Liquidator, NHLHIGA, Comprehensive Benefits Administrator d/b/a EBPA ("EBPA"), and MVP Health Insurance Company of New Hampshire ("MVP"). Pursuant to that Agreement, EBPA has adjusted claims incurred under Patriot health insurance policies prior to 11:59 PM on December 31, 2007.[1] EBPA has determined any amounts properly payable under Patriot health insurance policies, and provided an Explanation of Benefits to the provider or subscriber. EBPA has advised NHLHIGA of the amounts properly payable on claims under Patriot health insurance policies. Where the total payable amounts on any individual life do not exceed the $100,000 per life cap on NHLHIGA payments under RSA 408-B:5, III(b)(1)(B), the amounts have been paid to the claimant by or on behalf of NHLHIGA. There are two subscribers as to whom claims exceed NHLHIGA's statutory individual life cap of $100,000. Bengelsdorf Aff. ¶ 7.

7. Proofs of claim. The claim filing deadline in the Patriot liquidation was July 18, 2008. Patriot subscribers or members, or healthcare providers submitting claims on behalf of members or subscribers, were not required to submit formal proofs of claims unless they were not able to submit the claim in the normal course to EBPA by the claim filing deadline. EBPA received at least 1,415 submissions for policy related claims that were resolved by EBPA claim recommendations. Producers, attorneys, vendors and other general creditors were required to

[1] Claims incurred after that time are the responsibility of MVP. Upon being appointed as Rehabilitator of Patriot, the Commissioner as Rehabilitator entered an Assumption Agreement with MVP, which was approved by the Court on December 12, 2007. The agreement provided for the transfer of Patriot health insurance policies to MVP effective January 1, 2008. The responsibility for claims incurred under Patriot health insurance policies prior to January 1, 2008 remained with Patriot.

file proofs of claim. The Liquidator received a total of 98 proofs of claim, including a proof of claim from NHLHIGA. Most proofs of claim were for unpaid medical costs, and the Liquidator forwarded copies of all supporting material to EBPA for it to adjust the claims. Bengelsdorf Aff. ¶ 8.

8. Determination of Class I Claims. Administration expenses have been paid on an ongoing basis during the liquidation. Pursuant to the Closure Plan, NHLHIGA's claim for administration expenses is to be allowed with Class I priority. Accordingly, distribution has been made on previously approved portions of NHLHIGA's administration expense claim. On December 24, 2012, the Liquidator issued a final notice of determination to NHLHIGA allowing its administration expense claim in the total amount of $175,983.42 (representing a $29,354.13 increase over the $146,629.29 that had previously been allowed and distributed[2]). NHLHIGA has agreed to this determination. The final notice of determination and NHLHIGA's agreement are attached as Exhibit A to the Bengelsdorf Affidavit. Bengelsdorf. Aff. ¶ 9.

9. Determination of Class II Claims. In accordance with the Closure Plan, the Liquidator has resolved claims for healthcare services with respect to members/subscribers within the $100,000 per life cap on NHLHIGA coverage by denying those claims due to the fact that they have been adjusted by EBPA and satisfied by NHLHIGA. Claims with respect to members/subscribers that exceed the NHLHIGA cap have been allowed as Class II claims in the appropriate amounts as determined by EBPA. Additionally, NHLHIGA's claim for direct/policyholder claims has been allowed with Class II priority. Bengelsdorf Aff. ¶ 10.

[2] The Liquidator had previously allowed $150,502 to NHLHIGA as Class I. Of that amount, $3,872.71 represented subrogation recoveries paid to the Liquidator on amounts paid by NHLHIGA. This sum has been paid over to NHLHIGA. Since it is in the nature of a recovery belonging to NHLHIGA, not an administration cost, it is not included in either the $175,983 or the $146,629 set forth on the notice of determination. The notice of determination also notes NHLHIGA's Class II claims totaling $1,332,562.88. These claims have already been determined and allowed so their inclusion in the notice of determination is a formality.

10. The Court has issued orders approving the claim reports and establishing allowed amounts and priorities for all Class II claims. One claimant objected to a claim determination, and the Court overruled the objection on May 19, 2009. The Liquidator has presented and the Court has approved claims recommendations with Class II priority in the total allowed amount of $1,826,177 (which includes both $493,614 of direct claims and $1,332,562 for amounts paid by NHLHIGA under Patriot health insurance policies). However, there is overlap in the two categories of Class II claims (direct and NHLHIGA-paid) because NHLHIGA paid $129,290 in claims after the Liquidator had issued NODs to the direct claimants. Accordingly, the Liquidator will net those payments from the approved amounts. The Class II claims eligible for distribution thus total $1,696,887 and Patriot's Class II claims have now been finalized. Bengelsdorf Aff. ¶ 11.

11. Other claims. Pursuant to the Closure Plan, claims assigned a priority below Class II were determined only as to priority class and otherwise indefinitely deferred because no distribution below Class II is anticipated. There are no unresolved disputes regarding the priority for these claims. Bengelsdorf Aff. ¶ 12.

12. Collection of assets/financial reports. The Liquidator believes that all Patriot assets justifying the expense of collection have been collected. See RSA 402-C:48. In light of the Assumption Agreement with MVP, Patriot's sole asset at the beginning of the liquidation was cash held at TD Bank and Centrix Bank. The Liquidator has collected small amounts of reinsurance and subrogation. The only remaining issue is approximately $2,900 in outstanding subrogation claims being handled by a collection agency with a potential net recovery of $1,900. It is unknown when, if ever, recovery might occur. To the extent these amounts are not recovered by the time the distribution is calculated, the Liquidator will assign them to NHLHIGA in

accordance with the Closure Plan. As of December 31, 2012, the assets of Patriot totaled $594,627 after provision for the $29,354 Class I NHLHIGA claim, all of which is held in cash under the Liquidator's direct control. The Statement of Assets and Liabilities and Receipts and Disbursements for Patriot as of December 31, 2012 is attached as Exhibit B to the Bengelsdorf Affidavit. Bengelsdorf Aff. ¶ 13.

Determination of NHLHIGA's Administration Expense Claim

13. As discussed in paragraph 8 above, the Liquidator has now issued a final notice of determination to NHLHIGA regarding its claims with Class I priority. The determination in the amount of $175,983 represents the allowance of an additional $29,354 beyond the $146,629 in administration expense that had previously been allowed and distributed to NHLHIGA. Bengelsdorf Aff. ¶ 14.

14. In accordance with RSA 402-C:45, I, the Liquidator hereby reports on NHLHIGA's administration expense claim and recommends that it be allowed in the amount and priority class described above pursuant to RSA 402-C:45, II. See Bengelsdorf Aff. ¶ 15; Bengelsdorf Aff. Ex. A.

The United States Release Agreement

15. The federal priority statute, 31 U.S.C. § 3713, provides that claims of the United States Government "shall be paid first" in an insolvency proceeding such as a receivership, 31 U.S.C. § 3713(a), and that a representative of an estate, such as a liquidator, who pays any part of a debt of the insolvent before paying a claim of the United States may be personally liable to the extent of the payment. 31 U.S.C. § 3713(b). The United States Supreme Court has construed the federal priority statute in conjunction with the McCarran-Ferguson Act, 15 U.S.C. §§ 1011-12, and held that administration costs and policyholder claims may be paid before non-policyholder

federal claims. United States Dep't of Treasury v. Fabe, 508 U.S. 491, 493, 508-09 (1993). However, the First Circuit has held that the federal priority statute overrides claim-filing deadlines established in insurer liquidations. Ruthardt v. United States, 303 F.3d 375, 384-86 (1st Cir. 2002), cert. denied, 538 U.S. 1031 (2003).

16. As a result of the Ruthardt decision, the United States can – subject to any applicable statutes of limitation – assert claims at any time, regardless of claim-filing deadlines under state insurer liquidation statutes. Moreover, these decisions leave open the possibility that, if a liquidator distributed all the assets of the estate, the United States might file a late claim and contend that the estate's inability to pay the claim makes the liquidator personally liable for the claim under the federal priority statute. In view of the uncertainties created by the federal priority statute and related decisions, the Liquidator believed it prudent to obtain a waiver of federal priority claims from the United States before making a distribution. Bengelsdorf Aff. ¶ 16.

17. As described in the Liquidator's reports, the Liquidator requested a waiver of federal priority claims from the United States Department of Justice ("DOJ") on December 14, 2011. On November 6, 2012, the Liquidator received a signed Release Agreement from DOJ. The Liquidator has also signed the Release Agreement, which is subject to approval by the Court. The executed Release Agreement is attached as Exhibit C to the Bengelsdorf Affidavit. The Release Agreement releases the Liquidator and the Patriot estate from any and all liability under 31 U.S.C. § 3713(b) except for possible federal tax, fraud, criminal liabilities, and reimbursement liabilities and penalties arising under 42 U.S.C. § 1395y(b) (concerning potential Medicare reimbursement obligations). It also provides the United States with the right to inspect

Patriot records prior to their destruction and a right to notice of any motion for approval of document destruction. Bengelsdorf Aff. ¶ 17.

18. The Liquidator is not aware of any liability of Patriot to the United States or of any United States claim against Patriot. With respect to federal taxes (carved out of the Release Agreement), all federal withholding and unemployment taxes were paid through the date of the Order of Liquidation, and Patriot has not had any employees since then. Federal income tax returns have been filed through 2011 and there are no reported federal tax liabilities. As of December 31, 2011, Patriot has approximately $9.2 million in net operating losses to carry forward. With respect to Medicare, the distributions from the Patriot estate (other than to NHLHIGA) will be to thirty-eight providers who provided medical services to the two members where the total claims exceed the $100,000 per life cap on NHLHIGA obligations. Both of the members have confirmed that they were not Medicare beneficiaries when the services were provided. The service providers that responded to the Liquidator's inquiries also have stated that the members were not Medicare beneficiaries at the time of service. Five service providers for one of the members have responded that the member was not a Medicare beneficiary and fifteen service providers for the second member have responded that the member was not a Medicare beneficiary. Bengelsdorf Aff. ¶ 18.

19. All Patriot's in-force business was assumed by MVP Healthcare as of January 1, 2008. Bengelsdorf Aff. ¶ 7, n. 1. The Medicare "carve out" in the Release Agreement relates to a statute whose operative provision did not become effective until one year later, on January 1, 2009. Patriot therefore had no policies for which there could be such Medicare-reportable events.

20. In the circumstances, the Liquidator is of the view that the Release Agreement provides a reasonable and sufficient basis to proceed with a distribution to Class II creditors notwithstanding the federal priority statute. The Liquidator accordingly requests that the Release Agreement be approved by the Court. Bengelsdorf Aff. ¶ 19.

The Proposed Distribution

21. The Closure Plan provides that, when all Class II claims have been determined, the Liquidator will reserve for or pay all administrative expenses and NHLHIGA Class I claims. The Liquidator is then required to apply for approval to distribute all of Patriot's assets to claimants with Class II priority claims. See RSA 402-C:46 ("Under the direction of the court, the liquidator shall pay dividends in a manner that will assure the proper recognition of priorities and a reasonable balance between the expeditious completion of the liquidation and the protection of unliquidated and undetermined claims.").

22. All Class II claims have been determined, and administrative expenses have been paid on an ongoing basis during the liquidation. The remaining portion of NHLHIGA's administration costs claim will be paid on approval by the Court. The Liquidator estimates that expenses relating to distribution, disposal of records, tax returns and motions and closure of the Patriot estate (as well as incurred but unpaid administrative expenses) will total $33,000 and proposes establishing a reserve in this amount. Bengelsdorf Aff. ¶ 20.

23. After establishing the administration expense reserve and making payment to NHLHIGA on its Class I claim, the estimated remaining assets of the Patriot estate will total approximately $561,627. All other claims have been assigned to Class II (the policy related claims class) or Class V (the residual class) in the amounts set forth in the schedules to the Liquidator's reports of claims and recommendations approved by the Court. See RSA 402-C:44.

The Liquidator proposes to make a distribution of the $561,627 to pay a pro rata dividend to Class II creditors based on the amounts of their respective allowed claims minus the $50 deductible required by RSA 402-C:44.[3] The proposed distribution is intended to exhaust the remaining assets of the Patriot estate (less the administrative expense reserve), so any interest earned or other cash received before the distribution will be added to the amount to be distributed. As described in paragraph 10 above, the Class II allowed claims total $1,696,887. The Liquidator accordingly estimates that the distribution will represent a payment of approximately 33% on each of the Class II creditor's remaining allowed claims. ($561,627 ÷ $1,696,887 = 33%). This estimate assumes that there will be no unexpected expenses or developments in closing the estate, and that investment results between December 31, 2012 and the date of distribution will not have a material effect. These factors, individually or combined, could result in a change in the distribution percentage. Bengelsdorf Aff. ¶ 21.[4]

24. The Liquidator submits that the proposed distribution of Patriot assets will assure the proper recognition of priorities and will promote the expeditious completion of the Patriot liquidation in which there are no remaining undetermined claims. See RSA 402-C:46, I. Bengelsdorf Aff. ¶ 22.

Next Steps

25. Following the final distribution of assets to creditors with Class II claims, the Liquidator will file a report with the Court and motions regarding closure of the Patriot estate. The matters addressed in these motions will include disposition and destruction of liquidation records, preparation and filing of final tax reports on Patriot's behalf, distribution of any remaining or unclaimed funds, and discharge of the liquidator. Bengelsdorf Aff. ¶ 23.

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[3] The statute provides that the deductible does not apply to NHLHIGA. RSA 402-C:44.

[4] As Class II claims will not be paid in full, lower priority claims will receive no distribution. See RSA 402-C:44.

WHEREFORE, the Liquidator respectfully requests that this Court enter an order in the form submitted herewith:

A. Granting this motion;

B. Approving NHLHIGA's administration costs claim as a Class I claim in the aggregate amount of $175,893 (inclusive of previously allowed amounts);

C. Approving the Release Agreement with the United States;

D. Authorizing the distribution of Patriot's assets (after payment of NHLHIGA's claim for administration costs and establishment of a reserve not to exceed $33,000 for the Liquidator's administration costs) to claimants with allowed Class II claims in the Patriot estate previously approved by the Court; and

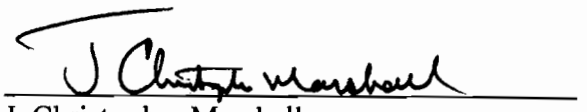
E. Granting such other and further relief as justice may require.

Respectfully submitted,

ROGER A. SEVIGNY, INSURANCE COMMISSIONER OF THE STATE OF NEW HAMPSHIRE, AS LIQUIDATOR OF PATRIOT HEALTH INSURANCE COMPANY, INC.

By his attorney,

MICHAEL A. DELANEY
ATTORNEY GENERAL



J. Christopher Marshall
NH Bar ID No. 1619
Civil Bureau
New Hampshire Department of Justice
33 Capitol Street
Concord, NH 03301-6397
(603) 271-3650

January 23, 2013

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Motion for Approval of Claim, Release Agreement, and Distribution of Assets, the Affidavit of Peter A. Bengelsdorf, and the Proposed Order, were sent, this 23rd day of January, 2013, by first class mail, postage prepaid to all persons on the attached service list.

J. Christopher Marshall

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.

SERVICE LIST

Name	Address/Phone	Representing
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Alex Feldvebel	N.H. Insurance Department 21 South Fruit Street Suite 14 Concord, NH 03301 603-271-2261 603-271-1406/fax alex.feldvebel@ins.nh.gov	N.H. Insurance Department Liquidator
Peter Bengelsdorf	Patriot Health Insurance Co. 61 Broadway, 6th Floor New York, NY 10006-2504 805-498-3020 peter.bengelsdorf@homeinsco.com	N.H. Insurance Department Special Deputy Liquidator
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Eric Smith, Esq.	Rackemann, Sawyer & Brewster 160 Federal Street Boston, MA 02110 617-951-1127 617-542-7437/fax eas@rackemann.com	N.H. Insurance Department Liquidator
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Robert J. Moses, Esq.	Greenberg, Traurig LLP 54 State Street, 6th Floor Albany, NY 12207 518-689-1400 603-491-0374/cell 518-689-1499/fax mosesb@gtlaw.com	MVP Health Insurance Company of New Hampshire
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Lisa Snow Wade, Esq.	Orr & Reno P.O. Box 3550 Concord, NH 03302-3550 603-224-2381 603-224-2318 (fax) lwade@orr-reno.com	NH Life and Health Insurance Guaranty Association

STATE OF NEW HAMPSHIRE

MERRIMACK, SS. **SUPERIOR COURT**

Docket No. 07-E-0517

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

AFFIDAVIT OF PETER A. BENGELSDORF

I, Peter A. Bengelsdorf, hereby depose and say:

1. I am the Special Deputy Liquidator of the Patriot Health Insurance Company, Inc. ("Patriot"), appointed by the Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of Patriot. I submit this affidavit in support of the Liquidator's Motion for Approval of Claim, Release Agreement, and Distribution of Assets. The facts and information set forth herein are either within my own knowledge gained through my involvement in this matter, in which case I confirm that they are true, or are based on information provided to me by others, in which case they are true to the best of my knowledge, information, and belief.

2. Patriot is a New Hampshire-domiciled insurance company subject to regulation by the New Hampshire Insurance Department. On January 18, 2008, the Court entered an Order of Liquidation placing Patriot in liquidation and appointing the Commissioner as Liquidator. By order dated October 6, 2008, the Court approved a plan providing a framework for the eventual closure of the Patriot liquidation (the "Closure Plan"). Since that time, the liquidation has been proceeding under the supervision of the Court and in accordance with the Insurers Rehabilitation and Liquidation Act, RSA 402-C.

3. All claims against Patriot, except for the final administrative expense portion of NHLHIGA's claim, have been determined by the Liquidator and previously approved by the

Court. The administrative expense portion of NHLHIGA's claim has now been determined by a final notice of determination to which NHLHIGA has agreed, in the total amount of $175,893. This represents an additional $29,354 over the $146,629 the Liquidator has already distributed to NHLHIGA in respect of previously approved determinations of its claim for administration expenses. The Liquidator requests that the Court approve this determination of NHLHIGA's Class I claim.

4. To address concerns respecting the federal priority statute, 31 U.S.C. § 3713, the Liquidator has entered a release agreement with the United States, subject to approval by the Court. The Liquidator requests that the Court approve the release agreement with the United States.

5. All assets of the Patriot estate that warrant collection have been collected. All claims in the Patriot estate have been determined and approved except for the final NHLHIGA administration expense claim noted above. Assuming that claim and the release agreement with the United States are approved, the Liquidator believes that a final distribution of assets to Class II creditors of the Patriot estate is appropriate at this time pursuant to RSA 402-C:46, I. Accordingly, the Liquidator seeks the Court's approval of such a distribution.

6. Following final distribution to the Class II creditors of the Patriot estate, the Liquidator will address final administrative matters and move for approval to dispose of records. Once that is complete, the Liquidator will file a motion for discharge and for termination of the proceeding.

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MVP Health Insurance Company of New Hampshire ("MVP"). Pursuant to that Agreement, EBPA has adjusted claims incurred under Patriot health insurance policies prior to 11:59 PM on December 31, 2007.[1] EBPA has determined any amounts properly payable under Patriot health insurance policies, and provided an Explanation of Benefits to the provider or subscriber. EBPA has advised NHLHIGA of the amounts properly payable on claims under Patriot health insurance policies. Where the total payable amounts on any individual life do not exceed the $100,000 per life cap on NHLHIGA payments under RSA 408-B:5, III(b)(1)(B), the amounts have been paid to the claimant by or on behalf of NHLHIGA. There are two subscribers as to whom claims exceed NHLHIGA's statutory individual life cap of $100,000.

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14. As discussed in paragraph 9 above, the Liquidator has now issued a final notice of determination to NHLHIGA regarding its claims with Class I priority. The determination in the

amount of $175,983 represents the allowance of an additional $29,354 beyond the $146,629 in administration expense that had previously been allowed and distributed to NHLHIGA.

15. In accordance with RSA 402-C:45, I, the Liquidator reports on NHLHIGA's administration expense claim and recommends that it be allowed in the amount and priority class described above pursuant to RSA 402-C:45, II.

16. In view of the uncertainties created by the federal priority statute and related decisions, the Liquidator believed it prudent to obtain a waiver of federal priority claims from the United States before making a distribution.

17. As described in the Liquidator's reports, the Liquidator requested a waiver of federal priority claims from the United States Department of Justice ("DOJ") on December 14, 2011. On November 6, 2012, the Liquidator received a signed Release Agreement from DOJ. The Liquidator has also signed the Release Agreement, which is subject to approval by the Court. The executed Release Agreement is attached hereto as Exhibit C. The Release Agreement releases the Liquidator and the Patriot estate from any and all liability under 31 U.S.C. § 3713(b) except for possible federal tax, fraud, criminal liabilities, and reimbursement liabilities and penalties arising under 42 U.S.C. § 1395y(b) (concerning potential Medicare reimbursement obligations). It also provides the United States with the right to inspect Patriot records prior to their destruction and a right to notice of any motion for approval of document destruction.

18. The Liquidator is not aware of any liability of Patriot to the United States or of any United States claim against Patriot. With respect to federal taxes (carved out of the Release Agreement), all federal withholding and unemployment taxes were paid through the date of the Order of Liquidation, and Patriot has not had any employees since then. Federal income tax

returns have been filed through 2011 and there are no reported federal tax liabilities. As of December 31, 2011, Patriot has approximately $9.2 million in net operating losses to carry forward. With respect to Medicare, the distributions from the Patriot estate (other than to NHLHIGA) will be to thirty-eight providers who provided medical services to the two members where the total claims exceed the $100,000 per life cap on NHLHIGA obligations. Both of the members have confirmed that they were not Medicare beneficiaries when the services were provided. The service providers that responded to the Liquidator's inquiries also have stated that the members were not Medicare beneficiaries at the time of service. Five service providers for one of the members have responded that the member was not a Medicare beneficiary and fifteen service providers for the second member have responded that the member was not a Medicare beneficiary.

19. In the circumstances, the Liquidator is of the view that the Release Agreement provides a reasonable and sufficient basis to proceed with a distribution to Class II creditors notwithstanding the federal priority statute. The Liquidator accordingly requests that the Release Agreement be approved by the Court.

20. All Class II claims have been determined, and administrative expenses have been paid on an ongoing basis during the liquidation. The remaining portion of NHLHIGA's administration costs claim will be paid on approval by the Court. The Liquidator estimates that expenses relating to distribution, disposal of records, tax returns and motions and closure of the Patriot estate (as well as incurred but unpaid administrative expenses) will total $33,000 and proposes establishing a reserve in this amount.

21. After establishing the administration expense reserve and making payment to NHLHIGA on its Class I claim, the estimated remaining assets of the Patriot estate will total

approximately $561,627. All other claims have been assigned to Class II (the policy related claims class) or Class V (the residual class) in the amounts set forth in the schedules to the Liquidator's reports of claims and recommendations approved by the Court. The Liquidator proposes to make a distribution of the $561,627 to pay a pro rata dividend to Class II creditors based on the amounts of their respective allowed claims minus the $50 deductible required by RSA 402-C:44. The proposed distribution is intended to exhaust the remaining assets of the Patriot estate (less the administrative expense reserve), so any interest earned or other cash received before the distribution will be added to the amount to be distributed. As described in paragraph 11 above, the Class II allowed claims total $1,696,887. The Liquidator accordingly estimates that the distribution will represent a payment of approximately 33% on each of the Class II creditor's remaining allowed claims. ($561,627 ÷ $1,696,887 = 33%). This estimate assumes that there will be no unexpected expenses or developments in closing the estate, and that investment results between December 31, 2012 and the date of distribution will not have a material effect. These factors, individually or combined, could result in a change in the distribution percentage.

22. The proposed distribution of Patriot assets will assure the proper recognition of priorities and will promote the expeditious completion of the Patriot liquidation in which there are no remaining undetermined claims.

23. Following the final distribution of assets to creditors with Class II claims, the Liquidator will file a report with the Court and motions regarding closure of the Patriot estate. The matters addressed in these motions will include disposition and destruction of liquidation records, preparation and filing of final tax reports on Patriot's behalf, distribution of any remaining or unclaimed funds, and discharge of the liquidator.

Signed under the penalties of perjury this 18 day of January, 2013

Peter A. Bengelsdorf
Special Deputy Liquidator of Patriot Health Insurance Company, Inc.

STATE OF CALIFORNIA
COUNTY OF VENTURA

On January 18, 2013 before me, CLAUDIA A. KING - NOTARY Public, personally appeared Peter A. Bengelsdorf, Special Deputy Liquidator of The Patriot Health Insurance Company, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature
Notary Public

CLAUDIA A. KING
Commission # 1850605
Notary Public - California
Ventura County
My Comm. Expires May 23, 2013

Exhibit A

PATRIOT HEALTH INSURANCE COMPANY, INC. IN LIQUIDATION
P.O. Box 1720
Manchester, New Hampshire 03105-1720
Tel: (800) 347-0014 Fax: (212) 530-4069

Date 12/24/2012

Attn: Laura Condon, Administrator
New Hampshire Life & Health Ins. Guaranty Assoc.
10 Chestnut Dr, Unit B
Bedford, NH 03110

RE: FINAL - NOTICE OF DETERMINATION
Proof of Claim No. : GOVT700013

Determination Summary
This is the Final Notice for Administration expenses and policyholder claims incurred and reported to Patriot Estate from inception (see Attachment A for details.)

Class I	
Total reported Administration expenses from inception	$ 175,983.42
Prior Liquidators Class I distribution	$ 146,629.29
This Notice's Class I net allowed by the Liquidator	$ 29,354.13
Class II	
Total reported Direct/Policyholder claims from inception	$1,333,468.38
Less reported true-up credit	<$ 714.54>
Less reported void and reissue	<$ 190.96>
Total Policyholder claims which has been allowed by the Court	$1,332,562.88
Less prior Class II distribution	$ 0.00
Current Class II gross amount allowed	$1,332,562.88

Dear Ms. Condon:

The purpose of this letter is to provide you with a final determination of claims you have presented to Patriot Health Insurance Company, Inc. in Liquidation ("Patriot"), under the Proof(s) of Claim specified above. The Liquidator expects to present notice of this determination to the Superior Court for Merrimack County, New Hampshire (the "Court") for approval in accordance with New Hampshire Revised Statute, RSA 402-C:45. Read this Notice of Determination carefully as it sets forth your rights and obligations in detail.

The Liquidator has now made a Final Determination on the claim as set forth above in accordance with Patriot's Claim Procedures. If the claim has been allowed, in whole or in part, it has been assigned a Class I and or Class II priority pursuant to the Order of Distribution set forth in Revised Statute, RSA 402-C:44 and RSA 404-B:11 will be placed in line for payment as directed by the Court from the assets of Patriot.

You will have a separate right to dispute each Notice of Determination. If your claim has been allowed in whole or in part, this Notice of Determination does not mean that your claim will immediately be paid, or that it will be paid in full or at all. Pursuant to order of the Court, Patriot may make distributions of its assets as a percentage of all allowed claims in a particular priority class in the Patriot estate as approved by the Court. The amount, if any, payable by the Liquidator will be determined by the final ratio of assets to liabilities and the applicable priority.

Patriot is issuing this Final Notice of Determination based on Patriot's knowledge and/or understanding of the net amounts you have paid out on policyholder claims and administrative expenses as set forth in your proof of claim. Should Patriot subsequently become aware that any of the amounts you included in your proof of claim were reduced through reimbursement by a third party of such claims or expenses, then Patriot has the right to reduce its future distribution payments to you to the extent of such other recoveries or to seek to obtain repayment from you of any excess distribution if appropriate under the circumstances.

Further, if you receive any future reimbursement from any other source for amounts submitted by you on your proof of claim after you receive a distribution payment from Patriot, you must notify Patriot at the address below:

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

As a condition to receipt of a distribution, Patriot shall be entitled to seek subrogation against any third party to whom you made a payment included in your proof of claim, up to the amount of the distribution Patriot made to you based on such payment, and you shall be deemed to have assigned to Patriot such shared subrogation rights upon receipt of any distributions. Patriot agrees to cooperate with you in seeking subrogation from such third party.

The following instructions apply to this Notice of Determination:

Claim Allowed

1. If this claim has been allowed in whole or in part and you agree with the determination, sign and date the enclosed Acknowledgment of Receipt of the Notice of Determination and mail the completed Acknowledgment to Patriot.

Claim Disallowed

2. If all or part of your claim has been disallowed or you wish to dispute the determination or creditor classification for any reason, you may file an Objection with the Court at:

Office of the Clerk, Merrimack County Superior Court
163 N Main Street, P.O. Box 2880
Concord, New Hampshire 03301
Attention: Patriot Docket No.07-E-0517

within sixty (60) days from the mailing of the Notice of Determination. Please also sign and return the Acknowledgment of Receipt form and mail a copy of the Objection to the Liquidator.

IF YOU DO NOT FILE AN OBJECTION WITH THE COURT WITHIN SIXTY (60) DAYS FROM THE MAILING OF THIS NOTICE OF DETERMINATION, YOU MAY NOT FURTHER OBJECT TO THE DETERMINATION.

You must notify the Liquidator of any changes in your mailing address. This will ensure your participation in future distributions, as applicable. For purposes of keeping Patriot informed of your current address, please notify us at the address given on the letterhead above.

If you have any questions regarding this determination, please call James Hamilton at (212) 530-3113.

Sincerely yours,

Peter Bengelsdorf, Special Deputy Liquidator
For Roger A. Sevigny, Liquidator
of PATRIOT HEALTH INSURANCE COMPANY, INC.

PATRIOT INSURANCE COMPANY, INC. IN LIQUIDATION
P.O. Box 1720
Manchester, New Hampshire 03105-1720
Tel: (800) 347-0014 Fax: (212) 530-4069
12/24/2012

POC #: GOVT700013 Current Class I Allowed: $29,354.13

Attn: Laura Condon, Administrator
New Hampshire Life & Health Ins. Guaranty Assoc.
10 Chestnut Dr, Unit B
Bedford, NH 03110

ACKNOWLEDGMENT OF RECEIPT OF FINAL DETERMINATION

I hereby acknowledge receipt of this Final Notice of Determination as a Class I and Class II Creditor claims and confirm that I understand the content thereof. I further acknowledge and confirm that I understand the Instructions regarding the Notice of Determination of my Claim and in that regard advise as follows:

(Check off all applicable items.)
✓ I agree to the determination.

____ I reject the determination and intend to file a separate Objection with the Court.

I request that Patriot mail further correspondence to:

✓ same name as above.
new name _____

✓ same address as above
new address _____

This Acknowledgment of Receipt must be completed, signed and returned to Patriot in order to be eligible for distributions from the Patriot estate as directed by the Court.

Signature: Laura Condon

Print Name: LAURA CONDON

Title: ADMINISTRATOR

Date: 12/26/12

Exhibit B

Patriot Health Insurance Company In Liquidation
Statement of Assets and Liabilities, and Receipts and Disbursements

		January 1, 2012 to December 31, 2012	January 1, 2011 to December 31, 2011
Beginning Cash	$	**631,032**	786,347
Cash Receipts - Claim Payment Recoveries		12,210	11,561
Misc Income		-	8,200
Total Cash Receipts		12,210	19,761
Cash Disbursements:			
Legal Expenses		16,128	20,922
Consultant and Outside Service Expenses		3,133	2,340
Other Expenses		-	1,312
Total Cash Disbursements		19,262	24,574
Excess of Receipts Over Disbursements		(7,052)	(4,813)
Class I Claims Paid:			
NHLHIGA Class I Claim Paid for Administrative Expenses		-	(146,629)
NHLHIGA Class I Claim Paid to Reimburse Funds Received from Others		-	(3,872)
Total Class I Claims Paid		-	(150,502)
Ending Cash		**623,981**	**631,032**
Reserve for NHLHIGA Class I Administrative Expense Claim		29,354	-
Ending Cash less Reserve for Class I Claim	$	**594,627**	**631,032**

Note - Basis of Accounting

This financial statement is prepared using the modified cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization is expected to occur, primarily investments and cash, and certain receivables, are recorded. Only incurred but unpaid Class I (Administration Costs) liabilities, which are in a creditor class superior to all other classes, are presented in this financial statement.

Exhibit C

RELEASE AGREEMENT

In order to permit a distribution of the assets of the estate of Patriot Health Insurance Company, Inc. ("Patriot"), pursuant to the orders of the Superior Court for Merrimack County, New Hampshire ("Court"), this Release Agreement is being executed by the United States and Roger A. Sevigny, Liquidator of Patriot ("Liquidator").

I. PARTIES

The parties to this Release Agreement are the United States and the Liquidator (collectively, the "Parties").

II. RECITALS

1. The Parties do not intend this Release Agreement to release any possible claims the United States may have or may acquire against anyone for tax, fraud (including, but not limited to, securities and pension benefit fraud), criminal liabilities, or reimbursement liabilities and penalties arising under 42 U.S.C. § 1395y(b).

2. Except for the express terms of this Release Agreement, the Parties do not intend to create, enhance, diminish, defeat or otherwise affect such claims, if any, as the United States may have against the Liquidator or the Patriot estate.

3. The Parties understand that this Release Agreement may be subject to the approval of the Court, which is supervising the Liquidation of Patriot.

4. The United States enters into this Release Agreement in reliance upon the representations of the Liquidator contained in his affidavit dated December 8, 2011, attached as Exhibit A to this Release Agreement ("Affidavit").

III. AGREEMENT

1. Except only for possible federal tax, fraud (including, but not limited to, securities and pension benefit fraud), criminal liabilities, or reimbursement liabilities and penalties arising under 42 U.S.C. § 1395y(b), the United States hereby releases and discharges the Liquidator and the estate of Patriot from any and all liability under 31 U.S.C. § 3713(b) in connection with the Patriot liquidation.

2. Under the terms of this Release Agreement, the United States or its duly authorized representative shall have the right, prior to the destruction of Patriot' records in accordance with the orders of the Court, during normal business hours, on a date and at a location agreed upon by the Parties, to inspect, and if it wishes, to copy at its own expense, such documents, books, and records of the estate, and of the Liquidator, as shall be reasonably necessary to determine the existence and amount of claims the United States may have against the Patriot estate, or to determine the Liquidator's compliance with the terms of this Release Agreement. No documents, books, or records of the estate or Liquidator may be destroyed unless notice is given to the United States of any motion filed with the Court requesting approval of the destruction. If Liquidator does not request approval from the Court, he must obtain prior written authorization from the United States before destruction of any documents, books, or records of the estate or Liquidator.

3. Except for the express undertakings of the Liquidator and the United States in this Release Agreement, nothing in this Release Agreement shall be construed

(a) to establish or perfect any claims, substantive rights, or procedural rights of the United States;

(b) to limit, restrict, diminish, or defeat any claims, substantive rights, or procedural rights of the United States;

(c) to establish or perfect any objections or defenses, substantive rights, or procedural rights of the Liquidator; or

(d) to limit, restrict, diminish, or defeat any defenses, substantive rights, or procedural rights of the Liquidator.

4. The Parties agree that this Release Agreement shall not be effective unless and until it is approved by the Court, if approval is required, and the time for appeals of any such approval has expired. The Parties further agree to cooperate with each other in seeking prompt approval of this Release Agreement from the Court, including but not limited to making the necessary witnesses available for testimony considered necessary or appropriate to provide the Court with an adequate record upon which to approve this Release Agreement.

Dated: 11/5/12

By: Sharon C. Williams
Trial Attorney
Civil Division
Department of Justice
Attorney for the United States

Dated: 11-27-12

By: Roger A. Sevigny, Insurance Commissioner of the State of New Hampshire, as Liquidator of Patriot Health Insurance Company, Inc.

STATE OF NEW HAMPSHIRE

MERRIMACK, SS. **SUPERIOR COURT**

Docket No. 07-E-0517

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

LIQUIDATOR'S AFFIDAVIT

I, Roger A. Sevigny, hereby depose and say:

1. I am the Insurance Commissioner of the State of New Hampshire and the Liquidator ("Liquidator") and former Rehabilitator ("Rehabilitator") of Patriot Health Insurance Company, Inc. ("Patriot").

2. I submit this Affidavit in support of my request for a release from the United States of America ("United States") from liability under 31 U.S.C. § 3713(b) with respect to the distribution of assets of Patriot to its creditors pursuant to order of the New Hampshire court supervising the Patriot liquidation proceeding.

3. The facts and information set forth below are either within my knowledge gained through my involvement with this matter, in which case I confirm that they are true, or are based on information provided to me by others, in which case they are true to the best of my knowledge, information and belief.

4. Patriot is an accident and health insurance company incorporated under the laws of the State of New Hampshire licensed and regulated by the New Hampshire Insurance Department. Patriot was a subsidiary of Patriot Healthcare, Inc., until that company was dissolved effective September 21, 2009. Patriot has no subsidiaries. It started business in 2005. As described below, its going forward business was assumed by another insurer effective

January 1, 2008. For the period of its operation, its offices were located at 33 South Commercial Street, Manchester, New Hampshire 03101.

5. Patriot was a health insurer. It wrote coverage only in New Hampshire, and it specialized in consumer directed health plans. Patriot did not write liability insurance. Patriot issued no policies for the benefit of the United States.

6. Patriot was placed in rehabilitation by order of the Superior Court for Merrimack County, New Hampshire ("Court") entered December 12, 2007. The Rehabilitator negotiated and the Court approved an Assumption Agreement with another insurer, MVP Health Insurance Company of New Hampshire ("MVP"), under which MVP assumed Patriot's obligations under health insurance policies in effect on January 1, 2008. Patriot retained obligations for claims incurred prior to January 1, 2008.

7. On January 18, 2008, the Court entered an Order of Liquidation declaring Patriot insolvent and appointing the Commissioner as Liquidator. A copy of the Order of Liquidation is attached as Exhibit A. The Liquidator negotiated and the Court approved a Claim Administration and Funding Agreement between the Liquidator, the New Hampshire Life and Health Insurance Guaranty Association ("NHLHIGA"), Comprehensive Benefits Administrator d/b/a EBPA ("EBPA") and MVP. Under that agreement, EBPA adjusted claims incurred under Patriot health insurance policies prior to January 1, 2008, and NHLHIGA paid those claims subject to its statutory limitations.

8. Notice of entry of the Order of Liquidation was provided to persons known or reasonably expected to have claims against Patriot. Each notice included notice of the claim filing deadline, July 18, 2008. Patriot subscribers or members, or healthcare providers submitting claims on behalf of members or subscribers, did not need to submit proofs of claim

unless they were not able to submit the claim in the normal course to EBPA (the claims administrator) by that date. Producers, attorneys, vendors and other general creditors were required to file proofs of claim.

9. The Liquidator received a total of 98 proofs of claim, including a proof of claim from NHLHIGA, and approximately 1,450 claims were administered in the ordinary course by EBPA. No new claims have been notified to EBPA or filed with the Liquidator since August, 2009. All proofs of claim (except for a recent amendment of approximately $13,000 submitted by NHLHIGA) and claims submitted to EBPA have been determined and the Court has approved the claim recommendations. The allowed Class II (policy-related) claims total $1,696,887 after removing allowed claims that were subsequently paid by NHLHIGA. Of this total, $1,332,562 is NHLHIGA's claim for amounts it paid under Patriot's policies. The remainder of the Class II claims are those of 37 health care providers who provided services to two subscribers where the claims for the subscriber exceeded the $100,000 per life cap in the NHLHIGA statute, N.H. RSA 404-D:8, X.

10. Patriot's assets in my possession as of September 30, 2011 were $637,115. After receipt of the requested federal waiver, I will request the supervising Court's approval of a pro rata distribution of the assets, after payment of remaining administrative expenses, to the Class II creditors of Patriot. As there are insufficient assets to satisfy the allowed Class II claims, claims at lower priorities will not receive a distribution. See N.H. RSA 402-C:44.

11. All federal withholding and unemployment taxes were paid through the date of the Order of Liquidation, and Patriot has not had any employees since then. Federal income tax returns have been filed through 2010, and there are no reported tax liabilities. As of December 31, 2010, Patriot has approximately $9 million in net operating loss to carry forward.

12. I have no knowledge of any claims by the United States against Patriot, its New Hampshire estate or myself, as Liquidator.

Signed under the pains and penalties of perjury this 8th day of December, 2011.

Roger A. Sevigny, Insurance Commissioner of the State of New Hampshire, as Liquidator of Patriot Health Insurance Company, Inc.

STATE OF NEW HAMPSHIRE
COUNTY OF MERRIMACK

Subscribed and sworn to, before me, this 8th day of December, 2011.

Notary Public/Justice of the Peace

Chiara Dolcino
My Commission Expires 10/6/15

STATE OF NEW HAMPSHIRE

MERRIMACK, SS. **SUPERIOR COURT**

Docket No. 07-E-0517

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

[PROPOSED]
ORDER APPROVING CLAIM, RELEASE AGREEMENT,
AND DISTRIBUTION OF ASSETS

On consideration of the motion of Roger A. Sevigny, Insurance Commissioner of the State of New Hampshire, as Liquidator ("Liquidator") of Patriot Health Insurance Company, Inc. ("Patriot"), for approval of claim, release agreement, and distribution of assets ("Motion") and the supporting affidavit of Peter A. Bengelsdorf, it is hereby found and ORDERED as follows:

1. The Liquidator's Motion is GRANTED.

2. The administration costs claim of the New Hampshire Life and Health Insurance Guaranty Association ("NHLHIGA") is APPROVED as a Class I claim in the aggregate amount of $175,893 (inclusive of previously allowed amounts).

3. The Release Agreement entered into by the Liquidator with the United States is APPROVED.

4. The Liquidator is AUTHORIZED to distribute Patriot's assets (after payment of NHLHIGA's claim for administration costs and establishment of a reserve not to exceed $33,000 for the Liquidator's administration costs) to claimants with allowed Class II claims in the Patriot estate previously approved by the Court.

So Ordered.

Dated: _____

_____
Presiding Justice