

THE 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 TENTH REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of Patriot Health Insurance Company, Inc. ("Patriot"), hereby submit this tenth report on the liquidation of Patriot, as of June 15, 2010, in accordance with RSA 402-C:25 and the order dated April 11, 2008 granting the Liquidator's motion regarding filing of Liquidator's reports.

1. Patriot's background. Patriot wrote coverage only in New Hampshire and specialized in consumer directed health plans. It started business in 2005. On December 12, 2007, Patriot was placed in rehabilitation and the Commissioner was appointed as its Rehabilitator. The Rehabilitator entered an Assumption Agreement with MVP Health Insurance Company of New Hampshire ("MVP"), which was approved by the Court December 12, 2007. The agreement provided for the transfer of policies effective January 1, 2008 with no disruption to the policyholders or subscribers. The responsibility for claims incurred under Patriot health insurance policies prior to January 1, 2008 remained with Patriot. On January 18, 2008, the Court entered an Order of Liquidation placing Patriot in liquidation and appointing the Commissioner as Liquidator.

2. Claim administration and funding. On February 12, 2008, 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 (“Agreement”). Pursuant to that Agreement, EBPA has been adjusting claims incurred under Patriot health insurance policies prior to 11:59 PM on December 31, 2007, when MVP assumed Patriot’s responsibilities. EBPA has determined any amounts properly payable under Patriot health insurance policies, and provided Explanation of Benefits (“EOBs”) to the provider or subscriber. EBPA has informed the Liquidator that where any claimant contacted EBPA regarding a determination set forth on an EOB, EBPA reviewed the issue and then provided a new EOB as appropriate under the Patriot health insurance policy.

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 are less than the \$100,000 per life cap on NHLHIGA payments under RSA 408-B, the amounts have been paid to the claimant by or on behalf of the NHLHIGA. There are two subscribers as to whom claims exceed NHLHIGA’s statutory individual life cap of \$100,000.

As of June 15, 2010, EBPA had received and adjusted claims incurred before January 1, 2008 under Patriot health insurance policies totaling \$1,826,177.12. The majority of adjusted claims are within NHLHIGA’s statutory limits and are being paid by NHLHIGA. The Liquidator has been monitoring this process. NHLHIGA has filed a proof of claim for any payments it makes on Patriot’s behalf and its expenses. To date the NHLHIGA has paid \$1,332,562.88 in claims.

3. 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 proofs of claims unless they were not able to submit the claim in the normal course to EBPA (the claim administrator) by the July 18, 2008 claim filing deadline. Producers, attorneys, vendors and other general creditors were required to file proofs of claim. As of June 15, 2010, the Liquidator has received a total of 98 proofs of claim. None were submitted since the last Liquidator's report. Including the amounts paid by NHLHIGA to date, the proofs of claim asserted claims totaling \$2,703,439.35. (Some proofs of claims were not quantified.) Most proofs of claim were for unpaid medical costs, and the Liquidator forwarded copies of all supporting material to EBPA for adjusting of the claims. The results of those claims are part of EBPA adjusted claim amount.

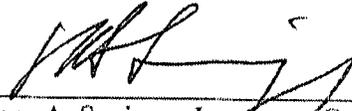
4. Claim determinations. The process of determining proofs of claim is approaching its end. The Liquidator has issued final notices of determination addressing all of the proofs of claim. As of June 15, 2010, the Liquidator has issued 100 determinations totaling \$1,976,679.12. The Liquidator has filed and the Court has approved three reports of Claims and Recommendations totaling \$492,899.70. The second of these, the report as of April 14, 2009, addressed at least 1,415 Class II (policy related claims) submissions to EBPA that were deemed proof of claims and resolved by EBPA claim recommendations. Since the last Liquidator's report, the Liquidator has filed the report of claims and recommendations as of June 8, 2010, which recommended an additional total of \$1,483,779.42. That report is expected to be the final report of claims and recommendations.

5. Closure Plan. By Order dated October 6, 2008, the Court approved a plan for the closure of the Patriot liquidation. The Liquidation Closure Plan (attached as Exhibit A) provides a framework for the determination of claims, distribution of assets and closure of the proceeding. The only significant assets remaining to be collected are potential subrogation recoveries (estimated to be valued at \$12,900.00). It is anticipated that Patriot's liabilities will exceed its assets, and that no distributions will be made to any priority class below Class II (policy related claims). See RSA 402-C: 44.

6. Taxes. Patriot was a subsidiary of its parent company, Patriot Healthcare, Inc. ("Patriot Healthcare"), until Patriot Healthcare was dissolved effective September 21, 2009. Patriot was included in the consolidated federal tax returns of Patriot Healthcare for periods through December 31, 2008. The Liquidator will file federal tax returns for Patriot on a "stand alone" basis for periods subsequent to that date. The tax returns filed by Patriot Healthcare through 2008 do not reflect any tax liability for Patriot, although certain periods are potentially still subject to assessment by the Internal Revenue Service.

7. Financial report. A copy of the unaudited March 31, 2010 statement of assets, receipts, and disbursements for Patriot is attached as Exhibit B to this report. The statement reflects \$796,877 in assets (all cash) under the Liquidator's direct control at March 31, 2010, and \$134 in cash receipts and \$1,460 in operating disbursements from January 1, 2010 through March 31, 2010. In light of the Assumption Agreement with MVP approved by the Court on December 12, 2007, Patriot's sole asset both on January 18, 2008 (the beginning of the liquidation) and on March 31, 2010 was cash held at TD North Bank and Centrix Bank.

Respectfully submitted,



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

June 30, 2010

CERTIFICATE OF SERVICE

I hereby certify that on July 7, 2010, a copy of the Liquidator's Tenth Report was served upon the persons named on the attached Service List, by first class mail, postage prepaid.



Glenn A. Perlow
NH Bar No. 13085

Patriot Closure Plan

1. The Liquidator will promptly issue notices of determination to commence the 60-day objection period as follows.
 - a. Claims for healthcare services with respect to members/subscribers expected to be within the \$100,000 per life cap on NHLHIGA coverage will be determined as Class II claims as set forth on the explanations of benefits ("EOBs") issued by EBPA since January 18, 2008 and denied on the ground that the claim has been satisfied by the NHLHIGA coverage. The provider submissions are being provided to the claims administrator, EBPA, who will review the submission for payment by the NHLHIGA as appropriate.
 - b. Claims with respect to the members/subscribers regarding whom claims are expected to exceed the \$100,000 per life cap on NHLHIGA coverage will be handled as follows: EBPA will review the submissions with respect to each such member/subscriber made prior to the claim filing deadline and provide EOBs determining amounts appropriate for payment, and the Liquidator will allow the claims as Class II claims in those amounts. It is anticipated that NHLHIGA will pro rate the \$100,000 NHLHIGA cap (or presently unexhausted portion) to the claims with respect to each such member/subscriber. The Liquidator will make distributions on the claims net of the amounts satisfied by the NHLHIGA coverage.
 - c. The portion of NHLHIGA's proof of claim related to payment of losses will be allowed as a Class II claim in the amount of its payments through the claim filing deadline. The portion of NHLHIGA's claim related to its administrative expenses through the claim filing deadline will be allowed as a Class I claim.
 - d. Other claims will be determined as to priority and indefinitely deferred as no distribution below Class II is anticipated.
 - e. Any proofs of claim filed with the Liquidator or claims submitted to EBPA after the July 18, 2008 deadline will be determined to be Class VIII claims filed late whose determination will adversely affect the orderly administration of the liquidation. Since no distribution is expect to this class, the claims will not be further addressed by the Liquidator.
2. The Liquidator will seek approval to distribute all Patriot's assets (after reserving for or paying administrative expenses and NHLHIGA's Class I claim) pro rata based on each claimant's allowed amount to the Class II claimants (expected to be NHLHIGA and the providers on the members/subscribers expected to exceed the NHLHIGA cap) after the claims are determined.
3. The Liquidator will assign any future recoveries of assets (subrogation and reinsurance) to NHLHIGA. The Liquidator will transfer any useful Patriot records to NHLHIGA and dispose of other records after application to the Court.

4. The Liquidator will confirm that federal tax returns were filed for prior periods and file a return for 2008.
5. Once the tax return is filed and any disputed claims resolved, the Liquidator will seek to be discharged.

**Patriot Health Insurance Company In Liquidation
Statements of Assets, Receipts and Disbursements**

| | <u>3/31/2010</u> |
|--|--------------------------|
| Beginning Cash at January 1, 2010 | <u>\$ 798,202</u> |
| Cash Receipts - Claim Payment Recoveries | \$ 134 |
| Cash Disbursements: | |
| Legal Expenses | 974 |
| Consultant and Outside Service Expenses | 485 |
| Special Deputy Expenses | 0 |
| Total Cash Disbursements | <u>\$ 1,460</u> |
| Excess of Receipts Over Disbursements | (1,325) |
| Ending Cash | <u><u>\$ 796,877</u></u> |

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.

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

SERVICE LIST

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