

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 FURTHER REPLY IN SUPPORT OF MOTION FOR APPROVAL OF
DISTRIBUTION OF ASSETS, DISPOSAL OF RECORDS AND TERMINATION OF
PROCEEDING**

Roger A. Sevigny, Insurance Commissioner of the State of New Hampshire ("Commissioner"), as Liquidator ("Liquidator") of Patriot Health Insurance Company, Inc. ("Patriot"), submits this short further reply to respond to new arguments raised in the Sur-Reply filed on August 12, 2011 by the New Hampshire Life and Health Insurance Guaranty Association ("NHLHIGA") to the Liquidator's Motion for Approval of Distribution of Assets, Disposal of Records and Termination of Proceeding (the "Motion").

1. NHLHIGA is subject to the same claim filing requirements as other Patriot creditors. NHLHIGA maintains that, "[b]y the very nature of its role as a safety net for policyholders, the Association's expenses and payment of policyholder claims cannot be mathematically determined until the liquidation has run its course. Just as the Liquidator's administrative expenses are not carved in stone as of July 18, 2008, neither were the Association's expenses of assisting in the administration of this estate finalized by that date." NHLHIGA Sur-Reply, ¶ 5. NHLHIGA is a Patriot creditor, RSA 408-B:14, III ("For the purpose of carrying out its obligations under this chapter, the association shall be deemed a creditor of the impaired or insolvent insurer..."). Like any other creditor of an insolvent insurer that wishes to share in the available assets, NHLHIGA must file a proof of claim in the format

specified with the Liquidator by the date set for such filings. RSA 402-C:37, I. The Liquidator is not a Patriot creditor. His role is set forth in the New Hampshire Insurers Rehabilitation and Liquidation Act, RSA 402-C, and he is not required to file a proof of claim. Subject to the court's control, the Liquidator defrays the expenses of the liquidation from the property of the insolvent insurer. RSA 402-C:25, IV. NHLHIGA, just like any other creditor, may not do so and offers no similar statutory support for its position. In fact, NHLHIGA timely filed a proof of claim which was determined as a "final allowance" by the Liquidator and then allowed by the Court. NHLHIGA Sur-Reply (Ex. B), Motion ¶ 6. Bringing finality to creditor claims is an essential element of the insurer liquidation process since it permits a calculation of the creditor distribution percentage. Such finality is especially important where, as here, the assets available to creditors are limited and will not increase and, as explained below, the economic benefit to the creditor seeking to re-open its claim so small.

2. Even if adopted, NHLHIGA's position would not materially increase its distribution. The key facts supporting this conclusion are undisputed. As of June 17, 2011, Patriot's assets totaled \$649,413. The Court has allowed NHLHIGA's \$1,332,562 Class II (policy related) claim. Motion, ¶ 6. It has also allowed the Class II claims of other creditors. Id. There are no other Class II claims to determine. Id. Class II claims eligible for distribution, in the aggregate, total \$1,696,887. Id. NHLHIGA's allowed claim is therefore 78.53% of all Class II claims, so it will receive 78.53% of the assets available for distribution. Since the asset "pot" will not increase, even if the \$8,460.88 potential claim referenced in the affidavit attached to the NHLHIGA Sur-Reply were allowed as an administrative expense (which the Liquidator believes is unjustified), the actual economic benefit to NHLHIGA is much less. In other words, while NHLHIGA would receive \$8,460.88 as an administrative expense distribution, the asset pot

available to Class II creditors is reduced by that same amount. This reduces NHLHIGA's Class II distribution by \$6,644.33, resulting in a net increase/benefit to NHLHIGA of only \$1,816.55.¹

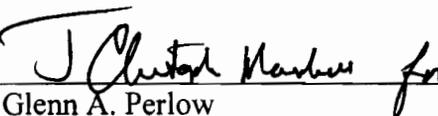
3. The Motion offers a sound closure plan for Patriot. The Motion reflects the Liquidator's carefully considered recommendation for the resolution of the Patriot liquidation proceeding, is consistent with similar closure plans approved by other courts, and reduces administrative expenses to the maximum extent possible. NHLHIGA's Objection and Sur-Reply offer no compelling reasons for adopting the approach it recommends which will increase costs and reduce distributable assets without materially improving the economic outcome for NHLHIGA or other Patriot creditors.

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

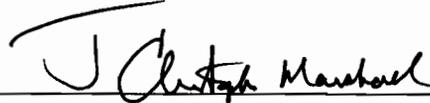
August 18, 2011

By:  _____
Glenn A. Perlow
NH Bar No. 13085
Senior Assistant Attorney General
Civil Bureau
33 Capitol Street
Concord, NH 03301-6397
(603) 271-3650

¹ This illustration overstates the actual distribution amounts because the assets as of June 17, 2011 will be reduced by the Liquidator's expenses through conclusion of the proceeding.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Liquidator's Further Reply in Support of Motion for Approval of Distribution of Assets, Disposal of Records and Termination of Proceeding was sent, this 18th day of August 2011, by first class mail, postage prepaid to all persons on the attached service list.

A handwritten signature in black ink that reads "J. Christopher Marshall". The signature is written in a cursive style with a large, sweeping initial "J".

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
Roger A. Sevigny	N.H. Insurance Department 21 South Fruit Street Suite 14 Concord, NH 03301 603-271-2261 603-271-1406/fax roger.sevigny@ins.nh.gov	N.H. Insurance Department Commissioner/Rehabilitator
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 Rehabilitator
Peter Bengelsdorf	Patriot Health Insurance Co. 61 Broadway, 6 th Floor New York, NY 10006-2504 805-498-3020 peter.bengelsdorf@homeinsco.com	N.H. Insurance Department Special Deputy Rehabilitator
J. David Leslie, Esq.	Rackemann, Sawyer & Brewster 160 Federal Street Boston, MA 02110 617-951-1131 617-542-7437/fax jdl@rackemann.com	N.H. Insurance Department Rehabilitator

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
Rehabilitator

Stephen J. Lauwers, Esq.

Rath, Young & Pignatelli
P.O. Box 1500
Concord, NH 03302-1500
603-226-2600
603-226-2700/fax
sjl@rathlaw.com

Patriot Health Insurance
Company, Inc.

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

George Roussos, Esq.

Orr & Reno
P.O. Box 3550
Concord, NH 03302-3550
603-224-2381
603-224-2318/fax
groussos@orr-reno.com

N.H. Life & Health
Insurance Guaranty
Association