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Martha Van Oot
Douglas L. Patch
James P. Bassett
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Steven L. Winer
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Joshua M. Pantescio
John L. Arnold
Michael T. Cretella

August 4, 2011

VIA HAND DELIVERY

William McGraw, Esquire, Clerk
Merrimack Superior Court
163 North Main Street
P.O. Box 2880
Concord, NH 03302-2880

**Re: In The Matter of the Liquidation of
Patriot Health Insurance Company, Inc.
Docket No. 07-E-0517**

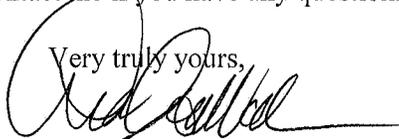
Dear Mr. McGraw:

Enclosed is the Objection of The New Hampshire Life and Health Guaranty Association To Liquidator's Motion for Approval of Distribution of Assets, Disposal of Records and Termination of Proceeding for filing with the Court in the above-referenced matter.

As noted, the Association does not object to the Liquidator's motion.

Please feel free to contact me if you have any questions.

Very truly yours,



Lisa Snow Wade

Lawrence A. Kelly
(Of Counsel)

LSW/gvb
Enclosure

cc w/enclosure:

Roger A. Sevigny
Alex Feldvebel
Peter Bengelsdorf
J. David Leslie, Esq.
Eric Smith, Esq.
Stephen J. Lauwers, Esq.
Glenn A. Perlow, Esq.
Robert J. Moses, Esq.

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.

**OBJECTION OF THE NEW HAMPSHIRE LIFE AND HEALTH INSURANCE
GUARANTY ASSOCIATION TO LIQUIDATOR'S MOTION FOR APPROVAL
OF DISTRIBUTION OF ASSETS, DISPOSAL OF RECORDS AND
TERMINATION OF PROCEEDING**

NOW COMES the New Hampshire Life and Health Insurance Guaranty Association ("Association") and objects to the Motion for Approval of Distribution of Assets, Disposal of Records and Termination of Proceeding, filed by Roger A. Sevigny, Insurance Commissioner of the State of New Hampshire, as Liquidator ("Liquidator") of Patriot Health Insurance Company, Inc., because it is premature. Alternatively, if timely, the motion should be denied because the Liquidator fails to properly address how it will distribute unexpended reserve funds to Class II claimants, and because the Liquidator has failed reimburse certain administrative expenses of the Association. The Association further states:

1. As set forth in the motion, the Association has paid out \$1,332,562 to cover claims under Patriot Health Insurance Company policies and incurred substantial administrative expenses. Hence, the relief requested by this motion raises significant issues affecting the Association's rights, particularly given that the Liquidator is projecting that the Association will only recover about one third of what it has expended as a result of this liquidation.

2. RSA 402-C:48, I provides that:

When all assets justifying the expense of collection and distribution have been collected **and distributed** under this chapter, **the liquidator shall apply to the court for discharge**. The court may grant the discharge and make any other orders deemed appropriate, including an order to transfer to the state treasury for the credit of the insurance department any remaining funds that are **uneconomic to distribute**.

(emphasis added). By its plain terms, this statute constrains the Liquidator's conduct in connection with a discharge in two ways relevant to his pending Motion. First, it clearly states that the application for discharge should occur *after* all distributions have been made. Second, it provides that after distributions are made, the court may approve a transfer of any remaining funds that are *uneconomic to distribute*. The Motion runs afoul of this provision with regard to both these constraints.

3. First, the Motion is clearly premature; the liquidator is seeking the discharge of the liquidation before it has distributed assets. It has not even resolved whether the federal government has any priority claims that will affect distributions, or when resolution or waiver can be obtained. Accordingly, the Motion should be denied.

4. The rationale for requiring the Liquidator to wait until the true end of the distribution of all assets is clear; the statutory scheme provides the Court with the ultimate oversight of the Liquidator's actions to assure that the rights of Class I and II claimants are protected and that the maximum amount is distributed to them. The scheme contemplated by the Liquidator provides him with the discretion to wrap up the liquidation as he sees fit without that oversight from the Court. This is clearly seen in the second way the Motion deviates from RSA 402-C:48, I.

5. This statute provides that after all distributions have been made, the court may order that *funds uneconomic to distribute* be transferred to the Insurance Department's

account with the State Treasury. The present motion asks this Court to approve a reserve of \$37,000 which includes \$17,000 to cover post distribution expenses. *See* Motion at ¶9.

6. The motion, however, does not contemplate that anything left in the \$37,000 reserve will be distributed to the Class II claimants. Instead, it asks this court to approve a scheme of distribution which anticipates one distribution to Class II claimants; in fact it asks the court to order that amounts unclaimed from that single distribution after 120 days be escheated to the Department. *See id.* at ¶17. The Motion says nothing about distributing amounts left in the \$37,000 reserve to Class II claimants unless uneconomical to distribute. In fact, any unclaimed distributions could just as easily be pooled with unexpended reserve funds and distributed in a second round of distributions to Class II claimants. The point is, without the court's oversight it is unclear whether the Liquidator would simply transfer all remaining funds out of the reserve, regardless of the amount, to the Department's account creating a windfall to the State at the expense of Class II claimants.

7. Finally, the motion claims that all of the Association's administrative costs have been paid. In fact, as of June 2011, the Association had incurred \$8,460.88 in administrative expenses for which it has not been reimbursed. Thus, the Motion should be denied to the extent the Liquidator seeks approval of the amounts described for distribution, because the Association's unpaid administrative expenses should be deducted from it. To the extent the Liquidator is refusing to pay those administrative expenses, the Association would request that the court hold a hearing to review the claim for those expenses.

WHEREFORE, the Association respectfully requests that this Court:

- A. Deny the Motion;
- B. Schedule a hearing to address the Association's unpaid administrative expenses unless the Liquidator indicates within 10 days of the Court's order that it has paid those expenses; and
- C. Grant such other and further relief as justice may require.

Respectfully submitted,

NEW HAMPSHIRE LIFE AND
HEALTH INSURANCE GUARANTY
ASSOCIATION

By its Attorneys,
ORR & RENO, P.A.

Dated: August 4, 2011

By:

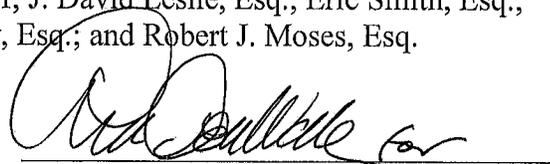


George W. Roussos, NH Bar #2206
Lisa Snow Wade, NH Bar #5595
One Eagle Square, P.O. Box 3550
Concord, NH 03302-3550
(603) 224-2381

CERTIFICATE OF SERVICE

I, hereby certify that on this date a copy of the foregoing Assented-to Motion For Extension Of Time To Reply To Motion For Approval Of Distribution Of Assets, Disposal Of Records And Termination Of Proceeding has been sent by first class mail to Roger A. Sevigny; Alex Feldvebel; Peter Bengelsdorf; J. David Leslie, Esq.; Eric Smith, Esq.; Stephen J. Lauwers, Esq.; Glenn A. Perlow, Esq.; and Robert J. Moses, Esq.

Dated: August 4, 2011



George W. Roussos, NH Bar #2206