

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 LAURA CONDON

I, Laura Condon, depose and say as follows:

1. My name is Laura Condon. I am the administrator of the New Hampshire Life and Health Insurance Guaranty Association ("Association).

2. The Association has been a claimant in approximately forty insurance company liquidations, including the Liquidation of Patriot Health Insurance Company, Inc.

3. Because of the unique role of the Association as a safety net for policyholders, it routinely works closely with liquidators to both administer policyholder claims submitted to the liquidation estate and pay policyholder claims up to statutory caps. As a result, the Association typically incurs both Class I administrative claims as well as Class II claims for the amount it pays to the insolvent insurer's policyholders.

4. Typically, the liquidator in an insolvency asks periodically for the amount of administrative expenses incurred by the Association, and then seeks interim approval of those claims from the supervising court. At the time an estate is closed, the Association is usually asked to provide to the liquidator the final amount of its administrative expenses so they can be included among the class I claims prior to the final distribution of class II claims.

5. In March 2010, the Association acknowledged receipt of a Notice of Determination in the Patriot liquidation approving all its administrative expenses incurred

through January 31, 2010. The Liquidator's representative had periodically requested information about the amount of administrative expenses incurred by the Association during the two years prior to the March 2010 Notice of Determination which I provided to him; hence, I assumed this liquidation was proceeding along in the normal course. The Liquidator never advised the Association that it would not be permitted to seek reimbursement for administrative expenses incurred after this date. Moreover, it makes no sense that its administrative claims would be time-limited to a date over a year before the Liquidator even seeks closure of the estate; just like the Liquidator, the Association may incur administrative expenses after the original claim filing deadline because of its ongoing role in assisting with the administration of the liquidation estate.

6. In December 2010, the Special Duty Liquidator sent a letter to me proposing that the Association agree to a novel clawback agreement for distributing the estate's assets. He proposed that all available assets be distributed to the Class I and Class II claimants immediately, which would include the Association. The proposal stated that there was a possibility that the federal government could subsequently assert a claim in the estate which would take priority over all claims including Class I claims. The proposal, therefore, was asking the Association to agree to payback into the estate 100% of what the government claimed if it asserted a claim after the distribution.

7. I have been the Administrator of the Association since February 1, 1993. During this time I have never been asked to agree to such a distribution scheme. The Association also belongs to the National Organization of Health and Life Insurance Guaranty Associations ("NOLHGA") which includes similar associations from all fifty states. This group informs members about insolvencies nationwide. To my knowledge, based in part on briefings from

NOLHGA that I receive and review periodically, the clawback proposal being presented to the Association in connection with the Patriot liquidation had never been adopted anywhere else. I understand why this scheme would benefit the administration of the estate from the Liquidator's perspective, but at the same time was unsure of the legal ramifications if the Association agreed to it.

8. Accordingly, I felt it reasonable to seek legal review of the proposal. I believe that, under the circumstance, the resulting expenses of \$8,460.88 were incurred in order to further the administration of the Patriot liquidation estate. I would not have sought this legal advice or incurred the stated expense but for the proposal being made by the Special Deputy Liquidator, and the Association's agreement to the proposal would have been to the Liquidator's direct benefit in administering this estate.

9. The Association's counsel responded to the Special Deputy Liquidator on behalf of the Association indicating that the Association felt compelled to reject the proposal after legal review.

10. Throughout the liquidation, I have worked closely with representatives of the Liquidator to assist with the administration of the Patriot estate. I assumed based on this working relationship, the prior periodic requests for updates on my administrative expenses in this liquidation, as well as my experience in liquidations around the country, that I would be requested to submit my final administrative expenses in advance of the closure of the estate, which would have included the expenses referenced above. I understood from the December 2010 distribution scheme proposal that the closure of the estate would be delayed while a federal claim waiver was obtained. The Liquidator did not inform the Association that it intended to file the Motion for Approval now.

Date: August 12, 2011

By: Laura Condon
Laura Condon

STATE OF NEW HAMPSHIRE
COUNTY OF Merrimack

On this 12th day of August, 2011, personally appeared before the undersigned, Laura Condon, who made oath that the facts recited in the foregoing affidavit are true to the best of her knowledge and belief.

[Signature]
Notary Public Justice of the Peace

My commission expires: 8/3/15