

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement"), is made effective as of this ___th day of December 2007, by and between Roger A. Sevigny, Commissioner, State of New Hampshire Insurance Department ("Department"), having its principal place of business at 21 South Fruit Street, Suite 14, Concord, New Hampshire 03301-5151, (the "Rehabilitator") and Peter A. Bengelsdorf of 4330 Via Cerritos, Newbury Park, California, 91320 (the "Special Deputy Commissioner").

WHEREAS, the Commissioner has been appointed the Rehabilitator of Patriot Health Insurance Company ("Patriot"), by Order of Rehabilitation entered by the Merrimack County Superior Court on December __, 2007 (Docket No. 07-E-____); and

WHEREAS, pursuant to applicable provisions of the New Hampshire Insurance Code and the Order of Rehabilitation and the Seizure Order, the Rehabilitator is vested with the authority and responsibility to protect the interests of policyholders and creditors of Patriot and may appoint a Special Deputy Commissioner for the purpose of rehabilitating Patriot; and

WHEREAS, the Rehabilitator desires to secure the Services of a Special Deputy Commissioner and the Special Deputy Commissioner desires to perform such Services for the Rehabilitator on the terms and conditions set forth in this Agreement; and

WHEREAS, it is understood and agreed that the Special Deputy Commissioner will be appointed as the Special Deputy Commissioner for the purpose of rehabilitating Patriot and that all actions, reports, opinions, advice (written and oral) rendered pursuant hereto will be used only by the Department for its guidance in fulfilling its responsibilities under New Hampshire Law; and

WHEREAS, it is understood and agreed that the Special Deputy Commissioner, subject to the approval of the Rehabilitator, shall have the powers of the Rehabilitator under RSA 402-C:17 and the Order of Rehabilitation to conduct the rehabilitation of Patriot.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements of the parties herein contained, the parties hereto agree as follows:

1. **SERVICES**: The Special Deputy Commissioner shall provide the Rehabilitator such services as are reasonably necessary for the Rehabilitator to effect the rehabilitation of Patriot pursuant to the provisions of the New Hampshire Insurance Code and the Order of Rehabilitation.

2. TERM AND TERMINATION: This Agreement shall be effective as of the date first written above and shall be terminated as of the earlier of:

- (a) The mutual written agreement of the parties hereto to terminate the Agreement;
- (b) The giving by either party at any time of notice of termination of this Agreement upon thirty (30) days' written notice to the other party.

Upon the termination of the Agreement for any reason, the Special Deputy Commissioner shall cease providing services to the Rehabilitator and shall immediately surrender and deliver to the Rehabilitator any and all reports, working papers and documents of every kind prepared by or for the Special Deputy Commissioner relating to Patriot and/or the services provided hereunder including, but not limited to, any works in progress following the termination of this Agreement.

3. COMPENSATION & EXPENSES: Provided that the Special Deputy Commissioner shall satisfactorily perform his obligations hereunder on behalf of the Rehabilitator, Patriot shall pay the Special Deputy Commissioner an hourly fee of \$250, plus reasonable and necessary travel expenses incurred by the Special Deputy Commissioner including, without limitation, weekly round trip coach airfare for the Special Deputy Commissioner to and from Newbury Park, California and hotel or apartment accommodations in connection with such travel. Such hourly fee of \$250 shall include time that the Special Deputy Commissioner spends traveling between his current residence in Newbury Park and New Hampshire or any other location deemed necessary. The Special Deputy Commissioner shall be compensated at such hourly fee for any testimony required to be given relative to services provided hereunder. The compensation of the Special Deputy Commissioner and any other special deputies, assistants and clerks, and all expenses of taking and securing possession of the property and affairs of Patriot and of conducting the rehabilitation of Patriot shall be paid out of the funds or assets of Patriot. If the Rehabilitator deems advisable, the Special Deputy Commissioner may receive an advance monthly retainer in an amount upon which the Rehabilitator and Special Deputy Commissioner mutually agree. The Special Deputy Commissioner shall submit accurate and complete invoices to the Rehabilitator on a monthly basis, or more frequently at the request of the Rehabilitator, specifying the day or days on which the Special Deputy Commissioner provided services, the number of hours, or fraction thereof, spent providing the services, a reasonably detailed description of the tasks performed, and the expenses incurred thereon.

4. FACILITIES AND SERVICES TO BE PROVIDED TO THE SPECIAL DEPUTY COMMISSIONER: On behalf of the Rehabilitator, Patriot shall provide all necessary facilities and services to the Special Deputy Commissioner to provide the services enumerated above.

5. RELATIONSHIPS OF PARTIES: The Special Deputy Commissioner's status under this Agreement and his performance of his duties and obligations hereunder shall be that of an independent contractor, and nothing contained in this Agreement shall create or imply an employer/employee relationship between the Rehabilitator and the Special Deputy Commissioner. Nor shall this Agreement be deemed to constitute a joint venture or partnership between the parties. However, for purposes of New Hampshire RSA Chapter 402-C, the Special Deputy Commissioner shall enjoy and be vested with the same privileges, protections and immunities as the Rehabilitator, pursuant to the provisions of RSA 402-C and other applicable provisions of the New Hampshire statutes, and common law.

6. COVENANT: The Special Deputy Commissioner shall not, during the term of this Agreement, serve any interest or do any act or thing that may conflict with the interests of the Rehabilitator and its responsibility to the policyholders and creditors of Patriot. If consistent with the foregoing Covenant and if it will not diminish the Special Deputy Commissioner's availability and capacity to fully and timely fulfill the obligations under this Contract, the Special Deputy Commissioner may continue to serve current or new clients while performing consulting services for the Rehabilitator, and such retention and commitments shall not, in themselves, be deemed a breach of this Covenant. The Rehabilitator expressly agrees that the Special Deputy Commissioner's service as a Special Deputy Liquidator of The Home and USI Reinsurance shall not be deemed a conflict with the interests of the Rehabilitator of Patriot or its responsibility to the policyholders and creditors of Patriot.

7. CONFIDENTIALITY: The Special Deputy Commissioner shall receive and have access to information that is privileged and confidential. Both during and after the term of this Agreement, the Special Deputy Commissioner agrees to strictly preserve and protect the privileged and confidential nature of this information except, as the Department shall authorize in writing addressed to the Special Deputy Commissioner. Privileged and confidential information shall include, but not be limited to any and all statements, models, projects, analyses, calculations and any and all materials in connection therewith concerning the financial condition or business or operations of Patriot, but does not include any documents, records or information that have become publicly available other than by reason of the Special Deputy Commissioner's failure to comply with this Agreement.

The Special Deputy Commissioner hereby acknowledges that each term and condition contained in this paragraph 7 is necessary to preserve the

confidentiality of the information furnished to the Special Deputy Commissioner and that the Special Deputy Commissioner's failure to comply with any such term or condition would result in irreparable damage to the Department and Patriot in an amount that is impossible to quantify.

The Special Deputy Commissioner shall require any of his agents with employees who receive the Information (collectively "Agents") to abide by the terms of this paragraph to the same extent that the Special Deputy Commissioner is required to do so.

At such time as the Rehabilitator requests, the Special Deputy Commissioner and his Agents shall return to the Department or its designated representatives or shall destroy all copies of the information in any form whatsoever (including any notes, reports, transmittal letters or other writings prepared by the Special Deputy Commissioner and his Agents). Upon the request of the Department, the Special Deputy Commissioner shall certify any such destruction in writing.

Subject to any Court order and RSA 400-A:25, I, all information obtained by the Rehabilitator or the Department from Patriot, its affiliates, or its providers or other creditors, in the course of the rehabilitation, shall be considered examination workpapers and shall be given confidential treatment as provided in RSA 400-A:37, IV-a.

8. INDEMNIFICATION: If any claim is made or any civil action is commenced against the Special Deputy Commissioner arising from such acts committed within the scope of his official duty, he shall be entitled, as a state officer or official, to defense and indemnification as set out in RSA 99-D and in accordance with the terms and conditions contained therein. The indemnification shall continue as to any claims made or threatened to be made against the Special Deputy Commissioner arising out of circumstances prior to the date of termination of this Agreement, notwithstanding the fact that said claim(s) is not made or threatened until after such date.

9. NON-ASSIGNMENT: This Agreement is personal to the Special Deputy Commissioner and he may not assign or delegate any of his rights or obligations hereunder without first obtaining the written consent of the Rehabilitator.

10. NOTICES: All notices, requests, approvals and consents and other communications required or permitted under this Agreement shall be in writing and shall be sent to the addresses specified below.

If to the Rehabilitator:

New Hampshire Insurance Department
21 South Fruit Street, Suite 14
Concord, New Hampshire 03301-5151
FAX: (603) 271-7851

If to the Special Deputy Commissioner:

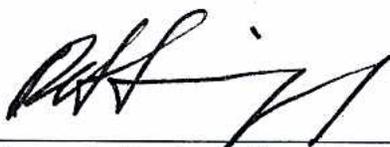
Peter A. Bengelsdorf
4330 Via Cerritos
Newbury Park, California, 91320

11. COUNTERPARTS: This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one single agreement between the parties.
12. HEADINGS: The headings are for reference and convenience only and shall not be considered in the interpretation of this Agreement.
13. SEVERABILITY: If any provision of this Agreement is held by a court of competent jurisdiction to be contrary to law, then the remaining provisions of this Agreement will remain in full force and effect.
14. WAIVER: No delay or omission by either party to exercise any right or power it has under this Agreement shall impair or be construed as a waiver of such right or power. A waiver by any party of any breach or covenant shall not be construed to be a waiver of any succeeding breach or any other covenant. All waivers must be in writing and signed by the party waiving its rights.
15. AMENDMENTS: No amendments to, or change, waiver or discharge of, any provision of this Agreement shall be valid unless in writing and signed by an authorized representative of the party against which such amendment, change, waiver or discharge is sought to be enforced.
16. GOVERNING LAW: This Agreement shall be interpreted in accordance with and governed by the laws of the State of New Hampshire, without giving effect to the principles of conflicts of laws.
17. VENUE: Any action or proceeding arising out of this Agreement may be brought against either party in the Merrimack County Superior Court of the State of New Hampshire, and each party consents to the jurisdiction of such courts in any such action or proceeding and waives any objection to venue laid therein.

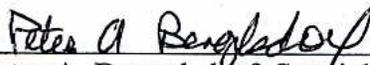
18. ENTIRE AGREEMENT: This Agreement is the entire agreement between the parties with respect to its subject matter, and except as recited above there are no other representations, understandings or agreements between the parties relative to such subject matter.

IN WITNESS WHEREOF, each of the Department and the Special Deputy Commissioner have caused this Agreement to be signed and delivered by its duly authorized representative.

NEW HAMPSHIRE INSURANCE DEPARTMENT



Roger A. Sevigny, Commissioner
Rehabilitator, Patriot Health Insurance Company



Peter A. Bengelsdorf, Special Deputy Commissioner

Professional History

Peter Bengelsdorf

Employment:

- 07/94-Present **Consultant to various companies including Ernst & Young, Various Insurance Commissioners, Transit Casualty Company In Receivership, Underwriters Reinsurance Company, Swiss Reinsurance Company, New York Stock Exchange Companies and others. Special Deputy Commissioner and currently Special Deputy Liquidator for both Home Insurance Company and USI Reinsurance Company. Special Deputy Commissioner ACA Assurance**
- 06/82-06/94 **Executive Vice President and Chief Financial Officer
URC Holdings Corporation,
Underwriters Reinsurance Company
Woodland Hills, California**
- 06/76-06/82 **Vice President, Chief Financial Officer, and Underwriter
California Re Management Corporation
Pasadena, California**
- 08/75-06/76 **Accounting Manager
Western Employers Insurance
Fullerton, California**
- 06/72-08/75 **Accounting Supervisor
Transamerica Insurance Company
Los Angeles, California**

Special Activities:

- * College Teaching Credential in Banking and Finance
- * Guest Lecturer for California Insurance Department, Insurance Education Association, CREA
- * Past Director of California State University, Northridge Trust Fund and Chair of Investment Committee

Education:

- 1969-1970 **California State University, Northridge, CA**
* **M.S.** degree in Business Administration with emphasis in Corporate Finance and Statistical Analysis
* Math minor
- 1964-1968 **California State University, Northridge, CA**
* **B.S.** degree in Business Administration Quantitative Methods and Finance