

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 07-E-

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

**VERIFIED PETITION FOR REHABILITATION**

1. This action is instituted to appoint Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire (the "Commissioner"), as Rehabilitator of Patriot Health Insurance Company, Inc. ("Patriot"), and to obtain appropriate relief to protect its policyholders, subscribers, contract holders, and the public. This Court has jurisdiction of this matter pursuant to RSA 402-C:4, 5 and 15.
2. The Commissioner states that he is the duly appointed and qualified Commissioner of Insurance of the State of New Hampshire.
3. Patriot is an accident and health insurance company incorporated under the laws of the State of New Hampshire with its principal offices at 33 Commercial Street, Manchester, NH 03104. Patriot is licensed by, and subject to regulation by, the New Hampshire Insurance Department.
4. Patriot is an insurer who is conducting and has conducted insurance business in this State, and against whom claims arising from that business may exist now or in the future, pursuant to RSA 402-C:2.
5. The Commissioner states that an immediate rehabilitation of Patriot pursuant to RSA 402-C:15 is appropriate at this time for the following reasons:

- a. Information made available to the Commissioner from Patriot indicates that Patriot has sustained a significant operating loss in 2007 driven in large part by very high medical claims on certain of Patriot's group health insurance policies;
- b. As a result of these operating losses, Patriot's available capital and surplus has declined below risk-based capital action levels set forth in RSA Chapter 404-F;
- c. Patriot's available capital and surplus is believed to have declined below the \$1 million minimum capital and surplus required by RSA Chapter 401;
- d. While Patriot has engaged in a diligent search for additional capital and/or a merger with or acquisition by another insurance company or other corporation, it has been unable to obtain access to or secure additional capital;
- e. After several meetings between Patriot executives and staff of the Department of Insurance, the Board of Directors of Patriot met to discuss the situation and to determine whether to consent to the filing of this Petition. At that meeting, at least two-thirds of the Board of Directors entitled to vote at that meeting voted to consent to rehabilitation as provided by RSA 402-C:15, XIV, while reserving Patriot's rights to contest a petition for liquidation. Patriot has consented to entry of the proposed Order Appointing Rehabilitator submitted herewith.

6. There have been discussions with other insurers and the New Hampshire Life and Health Insurance Guaranty Association ("NHLHIGA") respecting the possible assumption of Patriot's in force health insurance policies as of January 1, 2008. As a

result, the Commissioner has negotiated such an assumption agreement regarding Patriot's health insurance policies effective 11:59 p.m. December 31, 2007. Once appointed, the Commissioner as Rehabilitator intends to immediately move for approval of that agreement.

7. The Commissioner further states that there exists a present and urgent necessity for the entry of an order of rehabilitation and requests that this Court appoint the Commissioner as Rehabilitator of Patriot and, for the reasons described in the Commissioner's affidavit attached hereto, appoint Peter A. Bengelsdorf as Special Deputy Commissioner, pursuant to RSA 402-C:17, I without delay in order to reduce the risk of losses to subscribers, policyholders, creditors or the public.

8. The Commissioner further states that in order to reduce such losses, a stay of all actions and proceedings against Patriot is required as well as an order enjoining the termination of any contract with Patriot, other than its policies of health insurance, solely due to entry of the rehabilitation order.

9. In order to facilitate stability and continuity of care, the NHLHIGA has agreed to subordinate its claims within priority class II under RSA 402-C:44, II to all other claims within priority class II incurred on and after the date of the rehabilitation order.

10. A proposed Order Appointing Rehabilitator is filed herewith and is consistent with the authority set forth in RSA 402-C. The Commissioner requests that this Court enter the proposed Order Appointing Rehabilitator.

WHEREFORE, the Commissioner, pursuant to the provisions of RSA 402-C:15 to RSA 402-C:18, prays for the following relief:

A. A finding that sufficient cause exists for the rehabilitation of Patriot and appointment of the Commissioner as Rehabilitator and Peter A. Bengelsdorf as Special Deputy Commissioner;

B. Entry of an Order appointing Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire, and his successors in office, as Rehabilitator and Peter A. Bengelsdorf as Special Deputy Commissioner of Patriot;

C. Entry of an Order directing that the Rehabilitator and Special Deputy Commissioner may consult with and obtain the assistance and advice of NHLHIGA and insurance experts and shall have all the powers of the officers and managers of Patriot, whose authority shall be suspended, except as they are specifically re-delegated by the Rehabilitator;

E. Entry of an Order directing the Rehabilitator to take possession of or secure all of the assets, property, books, records, accounts and documents of Patriot and administer them under the orders of the Court;

F. Entry of an Order prohibiting the officers, directors, agents, employees, and representatives of Patriot, and any persons acting in concert with them, from disposing, using, transferring, removing or concealing any property of Patriot, without the express written authority of the Rehabilitator.

G. Entry of an Order prohibiting any bank, savings and loan association or other financial institution or other legal entity from disposing of, allowing to be withdrawn or concealing in any manner any property or assets of Patriot, except under the express authorization of the Rehabilitator or by the further order of this Court;

H. Entry of an Order staying, absent leave of the Court, any of the following actions:

- (1) the commencement or continuation of any judicial, administrative, or other action or proceeding against Patriot to recover a claim against Patriot;
- (2) the enforcement, against Patriot or its property, of any judgment;
- (3) any act to obtain possession of property of Patriot or to exercise control over property of Patriot;
- (4) any act to create, perfect, or enforce any lien against property of Patriot;
- (5) any act to collect, assess, or recover a claim against Patriot;
- (6) the setoff of any debt owing to Patriot against any claim against Patriot; and
- (7) any act by any person doing business with Patriot to terminate a contract with Patriot, other than a policy of health insurance, due to Patriot's assent to entry of the Rehabilitation Order or entry of the Rehabilitation Order.

I. Entry of an Order directing the Rehabilitator to provide quarterly accountings to the Court.

J. Entry of an Order including such further and other relief as this Court may deem just and proper under the circumstances.

Respectfully submitted,

ROGER SEVIGNY,  
COMMISSIONER, NEW  
HAMPSHIRE DEPARTMENT OF  
INSURANCE

By his Attorneys,

KELLY A. AYOTTE  
ATTORNEY GENERAL

Date: 12/11, 2007

By:

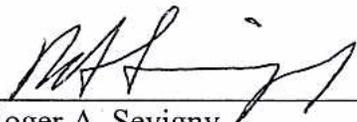


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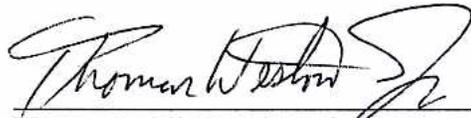
STATE OF NEW HAMPSHIRE  
MERRIMACK SS

**CERTIFICATE OF VERIFICATION**

Roger A. Sevigny, being first duly cautioned and sworn according to law, says that he is the duly appointed and qualified Commissioner of Insurance of the State of New Hampshire and Plaintiff in this matter and that the facts and all allegations made in the Petition are all true as he verily believes.

  
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Roger A. Sevigny

Sworn to and subscribed to before me this 11<sup>th</sup> day of December, 2007.

  
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Notary Public/~~Justice of the Peace~~  
ETP 4/20/2010