

STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE

IN THE MATTER OF:)
)

Local Government Center, Inc., et al.)

C-2011000036

RESPONDENTS)
_____)

**HEALTHTRUST'S STATEMENT OF ADDITIONAL UNDISPUTED FACTS IN
SUPPORT OF OBJECTION TO BSR'S MOTION FOR SUMMARY JUDGMENT**

HealthTrust, Inc. ("HealthTrust"), submits this statement of additional undisputed facts in support of its objection to the motion for summary judgment of the Bureau of Securities Regulation ("BSR").

1. The Property-Liability Trust, Inc. ("PLT") Board of Directors presently consists of six individuals, all of whom were elected or re-elected by the PLT Members at the PLT annual meeting in December 2013. The PLT Board has met to discuss the runoff on two occasions since January 10, 2014, including meetings on March 4 and May 30 (it also met numerous other times in "non-meeting" consultation with legal counsel). Second Affidavit of Dennis Pavlicek ("Second Pavlicek Aff.") Aff. ¶ 2.

2. By letter dated April 23, 2014, PLT requested quarterly updates from HealthTrust regarding the runoff of its coverage lines pursuant to HealthTrust's obligations under the Settlement Agreement. HealthTrust has provided the PLT Board with reports and information about the PLT runoff regularly, including on March 4 and May 22, 2014. Second Pavlicek Aff. ¶ 3, Ex. 6.

3. By letter dated April 4, 2013, PLT requested BSR approval of a 90% confidence level. The BSR did not respond to that request. Second Pavlicek Aff. ¶ 4, Ex. 7.

4. During the summer of 2013, HealthTrust and PLT discussed certain matters with the BSR, including payments required by the Final Order. The discussions broke down and did not produce a resolution of issues. In August 2013, the BSR provided HealthTrust and PLT with a proposed Memorandum of Understanding. Second Affidavit of Peter J. Curro (“Second Curro Aff.”) ¶ 2, Ex. 11.

5. The Settlement Agreement between HealthTrust and PLT (“Agreement”) became operational on January 10, 2014. That same day, HealthTrust provided the BSR with the Agreement and offered to discuss it. The BSR was not able to meet until February 4, 2014. Second Curro Aff. ¶ 3.

6. When representatives of HealthTrust and PLT (including the Chair of PLT’s Boards of Directors) and HealthTrust’s and PLT’s respective counsel arrived to meet with the BSR on February 4, 2014, they found third parties present to record the meeting. At the meeting, HealthTrust offered to respond to questions and expressed a willingness to discuss any BSR comment on the Agreement. The BSR asked few questions and did not comment on the Agreement. Second Pavlicek Aff. ¶ 5.

7. The BSR did not contact HealthTrust or PLT before filing the Motion for Entry of Default Order on February 7, 2014. The BSR first contacted HealthTrust and PLT by letter on February 11, 2014 to request information. By letter dated February 14, 2014, HealthTrust reiterated its willingness to work with the BSR to address any concerns and requested suggestions as to modifications to the Agreement and the runoff. The BSR made no substantive response. HealthTrust and PLT responded to the February 11, 2014 information request by letter with documentation on February 28, 2014. The letter concluded by requesting a meeting with the BSR. The BSR did not respond to that request. Second Curro Aff. ¶¶ 4-5, Exs. 12-14.

8. On February 19, 2014, PLT wrote to the BSR and the DOL requesting the opportunity to meet with the DOL and the BSR to obtain their guidance. While the DOL was willing to meet, the BSR declined. On February 27, 2014, the DOL sent a letter to the BSR suggesting a meeting soon involving the regulators. The BSR again declined. Second Pavlicek Aff. ¶ 6, Exs. 8 and 9.

9. On March 4, 2014, in light of the positive developments concerning the financial prospects for the PLT coverage lines runoff, HealthTrust proposed to PLT that the Agreement should be terminated. Those financial prospects continued to improve with the April 30, 2014 pro forma financial statement for the PLT coverage lines runoff reporting net assets of \$18,601,201. Second Curro Aff. ¶ 6, Ex. 15.

10. By letter dated May 20, 2014, the HealthTrust Board of Directors advised the BSR of its willingness to rescind the Agreement. The Board noted that the sole reason for the Agreement – the consequences to HealthTrust of a potential PLT insolvency – is no longer present in light of updated actuarial reports and the current financial statement for the PLT coverage lines runoff. The Board accordingly proposed to resolve the situation by rescinding the Agreement, with the \$17.1 million being paid to HealthTrust for it to distribute to its members. Second Curro Aff. ¶ 7, Ex. 16.

11. HealthTrust and PLT have terminated the Agreement. In February 2014 Towers Watson provided HealthTrust with estimates of PLT's coverage obligations as of January 10, 2014 that were materially lower than prior estimates. The results of the PLT coverage lines runoff have been favorable. In light of these changed circumstances, the sole reason for the Agreement, PLT's insolvency, is no longer present. Accordingly, on May 30, 2014, the PLT Board of Directors voted to enter a Termination Agreement proposed by HealthTrust, and on

June 3, 2014, the HealthTrust Board of Directors voted to enter and execute the Termination Agreement. The Termination Agreement was fully executed on June 3, 2014. Second Curro Aff. ¶ 8, Ex. 17; Second Pavlicek Aff. ¶ 7.

12. The Termination Agreement is effective as of June 6, 2014 at 5:00 p.m. Termination Agreement ¶ B1. The Agreement is terminated at that time. Id. ¶ B2. All PLT assets transferred to HealthTrust pursuant to the Agreement, net of claim payments and other expenses incurred thereunder, will be re-transferred from HealthTrust to PLT. Id. ¶ B3. All remaining PLT liabilities that were transferred to HealthTrust pursuant to the Agreement will be re-transferred from HealthTrust to PLT. Id. ¶ B4. The PLT employees who were transferred to HealthTrust pursuant to the Agreement, and all outstanding liabilities related to their employment, will be retransferred from HealthTrust to PLT. Id. ¶ B6.¹ Second Curro Aff. ¶ 9.

13. Contemporaneously with these transfers, PLT will pay HealthTrust \$17.1 million in complete and full satisfaction of the payment directed by the Final Order. Termination Agreement ¶ B5. Subject to the Presiding Officer's and the BSR's approval, HealthTrust will distribute the \$17.1 million to its current members or another identified combination of current and former HealthTrust members as soon as practicable.² Second Curro Aff. ¶ 10.

14. Removing the RSA 5-B:6 exemptions from insurance regulation and taxes would effectively disable HealthTrust's business to the detriment of its member political subdivisions by (a) preventing HealthTrust from offering coverage to its members, (b) creating uncertainty about the validity of HealthTrust's in-force coverages and its ability to legally handle claims and

¹ Additionally, any service or lease agreement between HealthTrust and PLT that was in effect on January 10, 2014 will be reinstated on the same terms and conditions that existed on that date. Termination Agreement ¶ B8.

² The current members' distribution will require calculations of contributions through June. Because some members prefer contribution holidays over refund checks, HealthTrust will provide advance notice to the members of their share of the distribution and the opportunity to notify HealthTrust if the individual member prefers a contribution holiday. HealthTrust anticipates that the logistics will be completed and checks distributed or contribution holidays commenced in September.

runoff its past business, and (c) causing HealthTrust to increase its rates – if it eventually could write coverage as an insurer – to account for potential premium and other state taxes applicable to insurance. HealthTrust potentially would have to stop writing coverage and might not even be able to conduct a runoff. Even if it could eventually resume business, its prices would be higher. As a practical matter, the program that has benefitted political subdivisions for over thirty years would be disabled to the detriment of the very political subdivisions HealthTrust serves. Second Curro Aff. ¶ 11.

15. Since 1984, HealthTrust engaged Anthem Blue Cross and Blue Shield (“Anthem”) to provide administrative services regarding HealthTrust’s medical plans. Under the current contract, Anthem provides claims settlement, medical management services, and access to a comprehensive provider network for HealthTrust. Second Curro Aff. ¶ 12.

HEALTHTRUST, INC.

By Its Attorneys,

Dated: June 4, 2014

/s/ Michael D. Ramsdell
Michael D. Ramsdell (NH Bar #2096)
Ramsdell Law Firm, P.L.L.C.
46 South Main Street
Concord, NH 03301
(603) 856-7536
mramsdell@ramsdelllawfirm.com

/s/ David I. Frydman
David I. Frydman (NH Bar #9314)
General Counsel
HealthTrust, Inc.
25 Triangle Park Drive
P.O. Box 617
Concord, NH 03302-0617
603-230-3373
dfrydman@healthtrustnh.org

CERTIFICATE OF SERVICE

I certify that I have forwarded copies of this pleading to counsel of record via email.

/s/ Michael D. Ramsdell
Michael D. Ramsdell

STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE

_____)	
IN THE MATTER OF:)	
)	
Local Government Center, Inc., et al.)	C-2011000036
)	
RESPONDENTS)	
_____)	

SECOND AFFIDAVIT OF PETER J. CURRO

I, Peter J. Curro, depose and state on oath as follows:

1. I am the Chair of HealthTrust, Inc. (“HealthTrust”), a position I have held since May 2, 2013. My responsibilities in this position include serving as the presiding officer of the Board of Directors of HealthTrust.

2. During the summer of 2013, HealthTrust and Property-Liability Trust, Inc. (“PLT”) discussed certain matters with the New Hampshire Bureau of Securities Regulation (“BSR”), including payments required by the Final Order. The discussions broke down and did not produce a resolution of issues. In August 2013, the BSR provided HealthTrust and PLT with a proposed Memorandum of Understanding. A copy of the Memorandum of Understanding is attached as Exhibit 11.

3. The Settlement Agreement between HealthTrust and PLT (“Agreement”) became operational on January 10, 2014. That same day, HealthTrust provided the BSR with the Agreement and offered to discuss it. The BSR was not able to meet until February 4, 2014.

4. The BSR did not contact HealthTrust or PLT before filing the Motion for Entry of Default Order on February 7, 2014. The BSR first contacted HealthTrust and PLT by letter on February 11, 2014 to request information. A copy of the letter is attached as Exhibit 12.

5. By letter dated February 14, 2014, HealthTrust reiterated its willingness to work with the BSR to address any concerns and requested suggestions as to modifications to the Agreement and the runoff. A copy of the letter is attached as Exhibit 13. The BSR made no substantive response. On February 28, 2014, HealthTrust and PLT responded to the February 11, 2014 information request by letter with documentation. The letter concluded by requesting a meeting with the BSR. A copy of the letter is attached as Exhibit 14. The BSR did not respond to that request.

6. On March 4, 2014, in light of the positive developments concerning the financial prospects for the PLT coverage lines runoff, HealthTrust proposed to PLT that the Agreement should be terminated. Those financial prospects continued to improve with the April 30, 2014 pro forma financial statement for the PLT coverage lines runoff reporting net assets of \$18,601,201. A copy of the balance sheet from the pro forma is attached as Exhibit 15.

7. By letter dated May 20, 2014, the HealthTrust Board of Directors advised the BSR of its willingness to rescind the Agreement. The Board noted that the sole reason for the Agreement – the consequences to HealthTrust of a potential PLT insolvency – is no longer present in light of updated actuarial reports and the current financial statement for the PLT coverage lines runoff. The Board accordingly proposed to resolve the situation by rescinding the Agreement, with the \$17.1 million being paid to HealthTrust for it to distribute to its members. A copy of the letter is attached as Exhibit 16.

8. HealthTrust and PLT have terminated the Agreement. In February 2014, Towers Watson provided HealthTrust with estimates of PLT's coverage obligations as of January 10, 2014 that were materially lower than prior estimates. The results of the PLT coverage lines runoff have been favorable. In light of these changed circumstances, the sole reason for the

Agreement, PLT's insolvency, is no longer present. Accordingly, on June 3, 2014, the HealthTrust Board of Directors voted to enter and execute the Termination Agreement. A copy of the Termination Agreement is attached as Exhibit 17.

9. The Termination Agreement is effective as of June 6, 2014 at 5:00 p.m. Termination Agreement ¶ B1. The Agreement is terminated at that time. Id. ¶ B2. All PLT assets transferred to HealthTrust pursuant to the Agreement, net of claim payments and other expenses incurred thereunder, will be re-transferred from HealthTrust to PLT. Id. ¶ B3. All remaining PLT liabilities that were transferred to HealthTrust pursuant to the Agreement will be re-transferred from HealthTrust to PLT. Id. ¶ B4. The PLT employees who were transferred to HealthTrust pursuant to the Agreement, and all outstanding liabilities related to their employment, will be retransferred from HealthTrust to PLT. Id. ¶ B6.¹

10. Contemporaneously with these transfers, PLT will pay HealthTrust \$17.1 million in complete and full satisfaction of the payment directed by the Final Order. Termination Agreement ¶ B5. Subject to the Presiding Officer's and the BSR's approval, HealthTrust will distribute the \$17.1 million to its current members or another identified combination of current and former HealthTrust members as soon as practicable.²

11. Removing the RSA 5-B:6 exemptions from insurance regulation and taxes would effectively disable HealthTrust's business to the detriment of its member political subdivisions by (a) preventing HealthTrust from offering coverage to its members, (b) creating uncertainty about the validity of HealthTrust's in-force coverages and its ability to legally handle claims and

¹ Additionally, any service or lease agreement between HealthTrust and PLT that were in effect on January 10, 2014 will be reinstated on the same terms and conditions that existed on that date. Termination Agreement ¶ B8.

² The current members' distribution will require calculations of contributions through June. Because some members prefer contribution holidays over refund checks, HealthTrust will provide advance notice to the members of their share of the distribution and the opportunity to notify HealthTrust if the individual member prefers a contribution holiday. HealthTrust anticipates that the logistics will be completed and checks distributed or contribution holidays commenced in September.

runoff its past business, and (c) causing HealthTrust to increase its rates – if it eventually could write coverage as an insurer – to account for potential premium and other state taxes applicable to insurance. HealthTrust potentially would have to stop writing coverage and might not even be able to conduct a runoff. Even if it could eventually resume business, its prices would be higher. As a practical matter, the program that has benefitted political subdivisions for over thirty years would be disabled to the detriment of the very political subdivisions HealthTrust serves.

12. Since 1984, HealthTrust engaged Anthem Blue Cross and Blue Shield (“Anthem”) to provide administrative services regarding HealthTrust’s medical plans. Under the current contract, Anthem provides claims settlement, medical management services, and access to a comprehensive provider network for HealthTrust.

Subscribed and sworn to by me under the pains and penalties of perjury on this 3 day of June 2014.


Peter J. Curro

Memorandum of Understanding

This Memorandum of Understanding sets forth the particulars surrounding Michael A. Coutu's ("Coutu") role and authority in connection with Local Government Center HealthTrust, LLC or its successor ("HT"), Local Government Center Property-Liability Trust, LLC or its successor ("PLT") (collectively the "Risk Pools").

I. Scope of Authority

Coutu shall have full authority to implement provisions # 7, 8, 9, 10, 11, 12, 13, 14, 15, 17 and 18 of the Mitchell Order dated August 16, 2012 (the "Mitchell Order") including, but not limited to (x) directing employees, independent contractors, agents and professionals, (y) hiring or terminating employees, independent contractors, agents or professionals (collectively "Associates") and (z) at the expense of the Risk Pools, hiring independent legal counsel. Coutu's authority with respect to the foregoing provision is limited to and must arise from the implementation of the Mitchell Order. With respect to the termination of Associates, Coutu shall first make a recommendation to the Executive Director in writing setting forth the basis and reasons therefore whereupon the Executive Director shall use his best effort to resolve the issue. If the issue cannot be resolved satisfactorily, Coutu's right to terminate the Associate shall prevail. Unless otherwise granted by the Board of Directors or their equivalent ("Directors") of the Risk Pools, Coutu shall have no authority as it relates to matters which are not in conjunction with implementation of the Mitchell Order including, but not limited to, amending the Risk Pools by-laws and recommending, participating or promoting litigation adverse to the interest of the Risk Pools.

II. Amendment of the Mitchell Order

If requested by the Directors of the Risk Pools, Coutu shall evaluate and consider the appropriateness of amending the Mitchell Order and if he is in concurrence therewith, shall confer with the Secretary of State and the Bureau of Securities Regulation ("BSR") on the merits of any such amendment. If the Secretary of State and BSR agree, in their sole and absolute discretion, with any proposed amendment, Coutu shall work with both agencies in getting the amendment approved by all necessary and appropriate parties including Donald Mitchell, Esq., in his capacity as the Hearing Officer in the BSR v. Local Government Center, Inc. *et al* proceeding (the "Proceeding") and the relevant members of HT and PLT Risk Pools.

III. Coutu's Independence, Reporting Responsibility

The Directors of each of the Risk Pools will not exercise dominion, authority or control over Coutu's role or duties in connection with implementation of the Mitchell Order. Coutu shall, however, keep the board of directors of the Risk Pools reasonably informed of any action he may take or contemplate taking in implementing the Mitchell Order.

In implementing the Mitchell Order, Coutu shall report and be accountable solely to the Secretary of State or his designee.

IV. Cooperation

The Directors of the Risk Pools shall fully cooperate with Coutu including, but not limited to, passing resolutions, motions or such other board action as may be needed in concert with implementation of the Mitchell Order.

V. Compensation, Employee Status

Coutu's compensation has not yet been agreed to. That notwithstanding, his compensation shall be allocated between the Risk Pools and the Secretary of State as the two shall agree. Coutu shall be deemed an employee of the Risk Pools or such entity which serves as employer of record with respect to the Risk Pools. That portion allocated to the Secretary of State shall be applied as a credit against the legal fees and other cost which the Local Government Center, Inc. *et al* are obligated to pay BSR pursuant to the Mitchell Order.

VI. Other Assignments

Provided it does not impair, constrain or limit implementation of the Mitchell Order, Coutu may, at the discretion of the Directors of the Risk Pools, take on other assignments not related to the implementation of the Mitchell Order. Such other assignment may include a review and analysis of the Risk Pools' current books of business together with recommendations for consideration by the HT or PLT Board's (as the case maybe). Coutu shall report through the Executive Director to the PLT or HT Directors and take instruction from the Executive Director or such Directors as it relates to any assignment which does not arise from implementation of the Mitchell Order.

VII. Termination, Resignation


During the pendency of implementing the Mitchell Order, Coutu may be terminated at any time with or without cause in the sole and absolute discretion of the Secretary of State. In the event that the Directors of the Risk Pools do not in good faith believe that Coutu is appropriately implementing the Mitchell Order, the Directors of the Risk Pools may petition the Secretary of State for Coutu's removal provided, however, that his removal shall be at the sole and absolute discretion of the Secretary of State. Whether the Mitchell Order has been fully implemented shall be determined by the Secretary of State in his sole and absolute discretion and provided that the Secretary of State has determined that the Mitchell Order has been fully implemented, Coutu may be terminated at any time with or without cause by the Directors of the Risk Pools. Coutu


may elect at his option to resign (i) if the Risks Pools or the Directors thereof fail to cooperate with Coutu with respect to implementation of the Mitchell Order, (ii) for reasons of health or disability or (iii) at any time following the Secretary of State's determination that the Mitchell Order has been fully implemented. The parties hereto hereby agree and covenant not to sue Coutu as a result of his employment hereunder.


VIII. Indemnity

Coutu shall be indemnified and held harmless by the Risk Pools and the Local Government Center, Inc. to the maximum extent permitted by New Hampshire law.

ACCEPTED AND AGREED TO this day of August, 2013:

By 
William M. Gardner
Secretary of State

By 
Barry Glennon
Director of Bureau of Securities Regulation

By 
Michael A. Coutu

By _____
Peter E. Bragdon, Executive Director
Local Government Center HealthTrust, LLC

By _____
Peter Curro, Chairman
Local Government Center HealthTrust, LLC

By _____
Dennis J. Pavlicek, Chairman
Local Government Center Property-Liability Trust, LLC



Barry Glennon
Director

State of New Hampshire
Department of State
Bureau of Securities Regulation

107 North Main Street, State House, Rm. 204
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Fax: (603) 271-7933

February 11, 2014

David Frydman,
General Counsel
Health Trust
25 Triangle Park Drive
Concord, NH 03301-0617
VIA US MAIL AND PDF
(dfrydman@healthtrustnh.org)

Re: Meeting Follow-Up

Dear David:

Please consider this letter a follow up to the meeting that occurred at the Bureau's offices on February 4, 2014, during which you and other representatives of the Health Trust and Property Liability Trust promised cooperation and open communications in the provision of additional information about the agreement entered into between the Health Trust and the Property Liability Trust on or about October 28, 2013 and the process that led to the agreement. Although, based on your comments, this is unnecessary, you may also consider this request for information as being made pursuant to R.S.A. 91-A and R.S.A. 5-B. The Bureau assumes that much of the information requested in this letter has already been compiled. Thus, we ask that you provide this information in electronic form to the Bureau no later than the close of business on February 17th. If this presents a problem for you, please advise and suggest alternative dates for production. Please let me know if any item does not request existing information. By courtesy copy, I am providing this letter to Pat Closson as counsel for the Property Liability Trust. The Bureau trusts the two of you will cooperate in providing the information described in this letter.

Please provide the following:

A. A full employee census for Property Liability Trust as of January 9, 2014 listing names, titles or job descriptions, wages, employment and retirement benefits for each employee. Please quantify the cost of any employment and retirement benefits you list. If actuarial evaluations of the costs of the employment or retirement benefits exist, please provide copies of same. If any employee listed in the census had a written contract of employment, provide a copy of that contract. Please indicate the current

employment status of each of these employees and indicate how, if at all, their titles or job descriptions, wages, employment and retirement benefits have changed through the present. To the extent you are aware that any current HT employee has experience managing any aspect of a run-off of an insurance company or a risk pool, please describe that experience.

B. To the extent that Health Trust has retained a consultant to manage the run-off of the Property Liability book of business, please identify the consultant(s) and describe the experience of the consultant(s).

C. Please provide the Bureau with a full and complete copy of any document that reflects the due diligence performed by Health Trust prior to its agreeing to acquire the liabilities and assets of Property Liability Trust.

D. Ordinarily, insurance companies engaged in a voluntary run-off are required to provide a detailed run-off plan to and for the approval of its domiciliary regulator. Please provide the Bureau with any document that contains a run-off plan with respect to the run-off of each book of business of the Property Liability Trust.

E. Please provide the Bureau with a full and complete copy of any actuarial report(s) or opinion(s) of the adequacy of reserves needed for the run-off of all of Property Liability Trust's liabilities in connection with each of its book of business as it existed as of September 30, 2013.

F. Please provide the Bureau with a full and complete schedule of the assets acquired by the Health Trust from Property Liability Trust, including, but not limited to, investment assets, contractual assets, property, plant and equipment assets and indicate the value of each listed asset as of September 30, 2013.

G. Please provide a schedule of all reinsurance in effect as of September 30, 2013 including the name of the name and address of the reinsurer and a brief description of all such reinsurance. Please include a copy of all reinsurance agreements, contracts, treaties or similar arrangements and if such reinsurance has been assigned by PLT to HT, a copy of such assignment.

H. Please provide the Bureau with a full and complete schedule of the litigation in which the Property Liability Trust was involved as a party as of September 30, 2013 and January 10, 2014, listing the names of the parties, the courts where the litigation was pending, and provide a brief description of the matter at issue. If any of the litigation involves a claim for damages for or against the Property Liability Trust, state the amount of damages at issue and whether sought by or against the Trust. Note, the Bureau here only seeks to know the litigation in which the Property Liability Trust is a party. You need not provide a schedule about instances in which the Property Liability Trust acts as an insurer or indemnitor.

I. Please provide the Bureau with a full and complete copy of the staffing plan created to determine the employees or staff to be maintained Health Trust throughout the entirety of the run-off of the liabilities of the Property Liability Trust, including the projected costs of said staffing, year by year. For avoidance of doubt, the entirety of the runoff time refers to the length of time needed to fully settle all valid unpaid claims whether now existing or arising in the future. Please provide the Bureau with a full and complete copy of any document that estimates or describes the likely time frame (the "Runoff Period") necessary to complete the run-off by the Health Trust of the Property Liability Trust liabilities arising from its various lines of business relating to unpaid claims now existing or arising in the future

J. Please provide the Bureau with a full and complete copy of any document providing financial projections of income and expenses for each year during the expected runoff period. Such projections must include all revenues and other income including investment income and all operating expenses including, but not limited to, employee compensation and benefit costs, fees paid to any claim management service or similar third party administrator, professional fees and other expenses. As a supporting schedule to these financial projections, please include a schedule of projected investment income (net of any applicable fees) and projected administrative expenses related to employee compensation and benefits for each year during the runoff period. As an additional schedule, please provide a copy of carried reserves as of the September 30, 2013 and the projected changes in reserves each year during the runoff period after giving effect to claims paid and new claims arising during the runoff period. Please indicate, if not apparent, who prepared the financial projections and the qualifications of the preparer.

K. Please provide the name and address of any member that obtained insurance or coverage of any kind or type from the Property Liability Trust, whether such coverage is by new contract or renewal at any time between October 1, 2013 and January 10, 2014. Please provide a copy of the contract executed by said member.

Thank you for your anticipated cooperation.

Sincerely,



Barry Glennon,
Director,
Bureau of Securities

cc Patrick Closson, McLane Law Firm
(Patrick.closson@mcclane.com)



February 14, 2014

Attorney Barry Glennon, Director
Bureau of Securities Regulation
NH Department of State
107 North Main Street #204
Concord, NH 03301-4989
Via US Mail and Email

Re: Meeting Follow-Up

Dear Director Glennon:

I am responding to your letter dated February 11, 2014 in which you ask for an extensive list of information and documents related to the Settlement Agreement and the runoff of PLT.

As we expressed repeatedly in our meeting on February 4, 2013, HealthTrust very much hopes for open communication and cooperation relative to the Settlement Agreement and its implementation. In that spirit, HealthTrust will cooperate and provide the information that you requested. However, we will need more time to respond to your request than by close of business on Monday, February 17, 2014, which is President's Day, a state holiday that HealthTrust observes. HealthTrust's need for more time is related, in part, to the fact that we are concurrently working on the response to the Motion for Entry of Default Order which the BSR filed on Friday, February 7, 2014. Additionally, it will take us some time to gather all the information you are seeking. I believe we should be able to provide it during the week of March 3, 2014.

In requesting to meet with the BSR on January 10, 2014, or as soon thereafter as was possible for the BSR, HealthTrust was hoping to discuss the Settlement Agreement with you and determine how best to implement the runoff of PLT in light of the Supreme Court's Order that, but for the Settlement Agreement, would have left PLT insolvent and would have delayed and reduced the return to HealthTrust. In entering the Settlement Agreement, HealthTrust sought to maximize the return to HealthTrust.

As you know, at the meeting on February 4, 2014, HealthTrust repeatedly requested BSR's input, suggestions and reactions to the Settlement Agreement. HealthTrust also expressed its willingness to work with the BSR to address any concerns the BSR might have regarding the Agreement or its implementation. HealthTrust was hoping that after the meeting, the BSR would get back in touch with us to share any concerns so that we could work together to structure the PLT runoff and payment of the debt to HealthTrust in a way that ensured an orderly runoff, maximized the return to HealthTrust and met with the BSR's satisfaction. HealthTrust was

Attorney Barry Glennon
February 14, 2014
Page 2 of 2

disappointed that rather than attempting to resolve any issues through such a process, the Bureau chose to file its motion for default order.

As the regulator, BSR may choose the method and forum in which to engage with a regulated entity. Whatever forum or process the Bureau chooses, HealthTrust will attempt to cooperate. Please know that HealthTrust remains interested in hearing your suggestions as to any modifications to the Settlement Agreement, how to structure PLT's orderly runoff, and how to maximize the return to HealthTrust. HealthTrust would prefer to avoid additional costly litigation at the public's expense to resolve issues that should, and we believe, could be resolved through a dialogue between the regulator and the regulated entities. I hope the BSR is interested in exploring that option and we look forward to hearing your preferences in this matter.

Sincerely,



David Frydman
General Counsel

cc: Andru Volinsky (via email only)
David Leslie (via email only)
Patrick Closson (via email only)



February 28, 2014

By Hand Delivery

Attorney Barry Glennon, Director
Bureau of Securities Regulation
New Hampshire Department of State
107 North Main Street #204
Concord, NH 03301-4989

Re: Meeting Follow-Up

Dear Director Glennon:

This letter will respond to your letter of February 11, 2014, in which the Bureau of Securities Regulation ("BSR") requested that HealthTrust, Inc. ("HealthTrust") respond to certain requests for information pursuant to RSA 5-B. The requests and responses are set forth below. Documents as described in the responses are enclosed. The responses and the enclosed documents are provided pursuant to the BSR's investigatory authority under RSA 5-B:4-a. They include confidential commercial and financial information. Such material is exempt from the Right To Know Law, see RSA 91-A:5, IV, and is properly received in non-public session. See RSA 91-A:3, II(j). As such, the enclosed material should not be disclosed by the BSR to any third parties. In particular, I draw your attention to the limitations on distribution set forth in the Towers Watson reports provided herein. Additionally, all of the information will also constitute part of the BSR's law enforcement investigatory files.

Request A:

A full employee census for Property Liability Trust as of January 9, 2014 listing names, titles or job descriptions, wages, employment and retirement benefits for each employee. Please quantify the cost of any employment and retirement benefits you list. If actuarial evaluations of the costs of the employment or retirement benefits exist, please provide copies of same. If any employee listed in the census had a written contract of employment, provide a copy of that contract. Please indicate the current employment status of each of these employees and indicate how, if at all, their titles or job descriptions, wages, employment and retirement benefits have changed through the present. To the extent you are aware that any current HT employee has experience managing any aspect of a run-off of an insurance company or a risk pool, please describe that experience.

Response A:

Attached as Schedule A is a spreadsheet listing the Property-Liability Trust, Inc. ("PLT") employees as of January 9, 2014 setting forth their names, titles/job descriptions, wages and benefits. The list also identifies the employment status of each employee and any changes in their employment arrangements as of February 28, 2014. The most recent actuarial valuation of the existing pension plan, dated December 31, 2012, is also enclosed. Note that this actuarial valuation predates the September 1, 2013 amendment of the plan that renamed it the

HealthTrust/PLT/NHMA Pension Plan. The actuaries are currently working on the year-end 2013 actuarial valuation. One of the listed employees had a written contract of employment with PLT (copy attached). However, no employment contracts were transferred to or otherwise assumed by HealthTrust pursuant to the Settlement Agreement (the "Agreement") between HealthTrust and PLT. The former PLT employees are now employees-at-will of HealthTrust.

With respect to the request for the identities of current HealthTrust employees having experience managing aspects of the run-off of an insurance company or a risk pool, we are not aware of any. However, HealthTrust has staff qualified and experienced in handling claims (including property, liability and workers compensation claims) and in financial management, both of which are integral to the run-off process. This request appears to assume that employees with specialized expertise in the run-off of an insurer or risk pool are necessary. We respectfully disagree.

Continuity of personnel, particularly for the claims operation, is critical to an efficient run-off. It is for that reason that the Agreement provided that, as of the date the Agreement became operational, (i) HealthTrust would initially hire each employee of PLT until HealthTrust determined the best staffing option for on-going operations, and (ii) HealthTrust would provide PLT employees with at least the same level of base salary and with employee benefits (other than severance benefits) no less favorable in the aggregate than the base salary and benefits provided prior to the date the Agreement became operational. Agreement ¶ E.1. HealthTrust reserved the right to adjust compensation or benefits at any time after the Agreement became operational. *Id.* The Agreement only became operational on January 10, 2014. HealthTrust has not yet determined the best staffing option for on-going operations of the PLT run-off. Nonetheless, as indicated on Schedule A, two of the former PLT employees who were transitioned to HealthTrust have since resigned and HealthTrust does not intend to rehire for their positions, resulting in an eleven percent (11%) reduction in the employees working on the PLT lines of coverage.

Request B:

To the extent that Health Trust has retained a consultant to manage the run-off of the Property Liability book of business, please identify the consultant(s) and describe the experience of the consultant(s).

Response B:

HealthTrust has not retained the services of a consultant to manage the run-off. HealthTrust is committed to conducting the run-off of the PLT lines of coverage in a cost effective manner that minimizes or eliminates the need for added expenses such as those associated with additional consultants to manage the run-off.

Request C:

Please provide the Bureau with a full and complete copy of any document that reflects the due diligence performed by Health Trust prior to its agreeing to acquire the liabilities and assets of Property Liability Trust.

Response C:

The principal documents on which HealthTrust relied in entering the Agreement are enclosed:

- PLT's audited Financial Statements as of December 31, 2012 (with Independent Auditor's report by Berry Dunn McNeil & Parker, LLC);
- PLT's Statements of Financial Position as of August 31, 2013;
- PLT's Statements of Financial Position as of September 30, 2013;
- PLT's independent actuary's (Towers Watson's) Analysis of PLT's Unpaid Loss and ALAE as of December 31, 2012 (Property-Liability Coverages), dated March 22, 2013;¹
- Towers Watson's Analysis of PLT's Unpaid Loss and ALAE as of December 31, 2012 (Workers' Compensation Coverages), dated March 21, 2013;
- Towers Watson's Analysis of PLT's Unpaid Loss and ALAE as of December 31, 2012 (Unemployment Compensation Coverages), dated March 21, 2013;
- Towers Watson's Executive Summary Confidence Level Analysis as of December 31, 2012, dated March 11, 2012;
- Presentation of PLT's independent actuary, Towers-Watson, on 2013/2014 Rate Level, Pro Formas and Experience Modifiers Analyses (Property-Liability, Workers Compensation and Unemployment Compensation), dated October 1, 2013;
- Affidavit of George Bald, from Appeal of Local Government Center, Inc., No. 2012-729 (October 3, 2013);
- Citizen Bank Denial of Loan to PLT letter (May 10, 2013);
- Affidavit of Wendy Lee Parker, from Appeal of Local Government Center, Inc., No. 2012-729 (October 3, 2013);
- The Security Deposit Agreement between PLT, Merrimack County Savings Bank, and the New Hampshire Department of Labor;

¹ We draw the BSR's attention to the limitations on distribution set forth in the Distribution section on page 3 of this Towers Watson report and in similar sections of the other Towers Watson reports, in which Towers-Watson grants permission to PLT to provide copies of the report to the State of New Hampshire regulatory authorities (Recipient) on the conditions that (a) "The report is distributed in its entirety," (b) "Each Recipient agrees not to reference or distribute the report to any other party," (c) "Each Recipient recognizes that the furnishing of this report is not a substitute for its own due diligence and agrees to place no reliance on this report or the data contained herein that would result in the creation of any duty or liability by Towers Watson to such party," and (d) "Each Recipient understands that such RECIPIENT IS DEEMED TO HAVE ACCEPTED THESE TERMS AND CONDITIONS by retaining a copy of this report."

Attorney Barry Glennon
February 28, 2014
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- The Final Order dated August 16, 2012 in Matter of Local Government Center, Inc., No. C-2011000036.

The HealthTrust Board also relied upon the legal opinion of Attorney David Leslie of the Rackemann firm, special counsel to the Board in this matter. However, in order to preserve attorney client privilege, Mr. Leslie's written opinion dated October 25, 2013, is not enclosed. HealthTrust similarly relied upon the legal memo of David Frydman to Gorge Bald dated March 15, 2013 regarding PLT assessment rights, which is enclosed, as it has been previously disclosed.

Request D:

Ordinarily, insurance companies engaged in a voluntary run-off are required to provide a detailed run-off plan to and for the approval of its domiciliary regulator. Please provide the Bureau with any document that contains a run-off plan with respect to the run-off of each book of business of the Property Liability Trust.

Response D:

The Agreement contains initial elements of a run-off plan for the PLT lines of coverage in Paragraph E. As you know, pooled risk management programs are exempt from Department of Insurance regulation and thus not subject to any requirements of the Insurance Department concerning run-off plans for insurance companies. See RSA 5-B:6. Nonetheless, the development of a more formal run-off plan was one the topics we were hoping to discuss with the BSR, had it been interested in pursuing a dialogue related to the run-off. Unfortunately, that has not taken place. The Agreement only became operational on January 10, 2014, and HealthTrust is looking into issues bearing on a run-off plan. That being said, any HealthTrust run-off of the PLT lines of coverage will be done in a cost effective manner in order to preserve the greatest amount of assets possible for HealthTrust and its members. HealthTrust is willing to prepare a run-off plan and to report monthly results against the plan. It is also prepared to consider any BSR recommendations in that regard.

Request E:

Please provide the Bureau with a full and complete copy of any actuarial report(s) or opinion(s) of the adequacy of reserves needed for the run-off of all of Property Liability Trust's liabilities in connection with each of its book of business as it existed as of September 30, 2013.

Response E:

Enclosed are presentations and final reports by PLT's independent actuary, Towers Watson, concerning reserves for periods as of or prior to September 30, 2013:

- Analysis of Unpaid Loss and ALAE as of August 31, 2013 (Property-Liability Coverages), dated December 9, 2013
- Analysis of Unpaid Loss and ALAE as of August 31, 2013 (Workers' Compensation Coverages), dated December 9, 2013
- Analysis of Unpaid Loss and ALAE as of August 31, 2013 (Unemployment Compensation Coverages), dated November 26, 2013
- 2014 Rate Level and 8/31/2013 Unpaid Loss, and Loss Adjustment Expense and Confidence Level Analyses (Property-Liability, Workers Compensation and Unemployment Compensation), dated October 29, 2013
- 2013/2014 Rate Level, Pro Formas and Experience Modifiers Analyses (Property-Liability, Workers Compensation and Unemployment Compensation), dated October 1, 2013.
- Analysis of Unpaid Loss and ALAE as of December 31, 2012 (Property-Liability Coverages), dated March 22, 2013
- Analysis of Unpaid Loss and ALAE as of December 31, 2012 (Workers' Compensation Coverages), dated March 21, 2013
- Analysis of Unpaid Loss and ALAE as of December 31, 2012 (Unemployment Compensation Coverages), dated March 21, 2013

Request F:

Please provide the Bureau with a full and complete schedule of the assets acquired by the Health Trust from Property Liability Trust, including, but not limited to, investment assets, contractual assets, property, plant and equipment assets and indicate the value of each listed asset as of September 30, 2013.

Response F:

Under the Agreement, PLT transferred all of its assets and liabilities to HealthTrust. Agreement ¶ D.1. Accordingly, the assets acquired by HealthTrust comprise the entirety of PLT's assets. The value of those assets is set forth on the enclosed PLT's financial statements as of September 30, 2013. Those assets include but are not limited to those on the list of fixed assets transferred to PLT as of September 1, 2013 and the list of PLT investment assets as of September 30, 2013 (copies enclosed).

Request G:

Please provide a schedule of all reinsurance in effect as of September 30, 2013 including the name and address of the reinsurer and a brief description of all such reinsurance. Please include a copy of all reinsurance agreements, contracts, treaties or similar arrangements and if such reinsurance has been assigned by PLT to HT, a copy of such assignment.

Response G:

Enclosed as Schedule G is a list of all reinsurance for the PLT lines of coverage in effect as of September 30, 2013, including the name and address of the reinsurer and a brief description of the reinsurance. Reinsurance is an asset of PLT that was assigned to HealthTrust under Paragraph D.1 of the Agreement. A copy of each reinsurance contract and the recent name change endorsement is also enclosed.

Request H:

Please provide the Bureau with a full and complete schedule of the litigation in which the Property Liability Trust was involved as a party as of September 30, 2013 and January 10, 2014, listing the names of the parties, the courts where the litigation was pending, and provide a brief description of the matter at issue. If any of the litigation involves a claim for damages for or against the Property Liability Trust, state the amount of damages at issue and whether sought by or against the Trust. Note, the Bureau here only seeks to know the litigation in which the Property Liability Trust is a party. You need not provide a schedule about instances in which the Property Liability Trust acts as an insurer or indemnitor.

Response H:

Enclosed as Schedule H is a list of all the litigation which is responsive to this request. As the Department of State is (or was) a party to three of the four listed cases, we have not included the specifics since the BSR has all the information related to those cases.

Request I:

Please provide the Bureau with a full and complete copy of the staffing plan created to determine the employees or staff to be maintained Health Trust throughout the entirety of the run-off of the liabilities of the Property Liability Trust, including the projected costs of said staffing, year by year. For avoidance of doubt, the entirety of the runoff time refers to the length of time needed to fully settle all valid unpaid claims whether now existing or arising in the future. Please provide the Bureau with a full and complete copy of any document that estimates or describes the likely time frame (the "Runoff Period") necessary to complete the run-off by the Health Trust of the Property Liability Trust liabilities arising from its various lines of business relating to unpaid claims now existing or arising in the future

Response I:

The Agreement only became operational on January 10, 2014. HealthTrust is carefully evaluating the latest available information concerning PLT's liabilities. The development of a more formal staffing plan was one the topics we were hoping to discuss with the BSR, had it been interested in pursuing a dialogue related to the run-off. Unfortunately, that has not taken

place. HealthTrust has not yet determined the best staffing option for on-going operations of the PLT. HealthTrust has yet to adopt a formal run-off staffing plan. That being said, HealthTrust intends, if necessary, to run-off the PLT lines of coverage in a cost effective manner in order to preserve the greatest amount of assets possible for HealthTrust and its members. The initial hiring by HealthTrust of the PLT staff as provided in Agreement ¶ E provides for continuity in claims handling and makes sense given the improving claims experience for PLT over recent years. As HealthTrust continues to plan the run-off, it intends to develop a more formal staffing plan. As noted earlier, there has already been an 11% reduction in the number of staff working on the PLT lines of coverage.

Request J:

Please provide the Bureau with a full and complete copy of any document providing financial projections of income and expenses for each year during the expected runoff period. Such projections must include all revenues and other income including investment income and all operating expenses including, but not limited to, employee compensation and benefit costs, fees paid to any claim management service or similar third party administrator, professional fees and other expenses. As a supporting schedule to these financial projections, please include a schedule of projected investment income (net of any applicable fees) and projected administrative expenses related to employee compensation and benefits for each year during the runoff period. As an additional schedule, please provide a copy of carried reserves as of the September 30, 2013 and the projected changes in reserves each year during the runoff period after giving effect to claims paid and new claims arising during the runoff period. Please indicate, if not apparent, who prepared the financial projections and the qualifications of the preparer.

Response J:

As indicated in response to the previous questions, HealthTrust has not yet adopted a formal run-off plan and is still considering staffing options. HealthTrust does not presently anticipate engaging any consultants or third-parties to administer the run-off. Attached are the following documents that are or may be responsive to you request:

- Presentation of PLT's independent actuary, Towers-Watson, on 2013/2014 Rate Level, Pro Formas and Experience Modifiers Analyses (Property-Liability, Workers Compensation and Unemployment Compensation), dated October 1, 2013.

PLT's reserves carried as of September 30, 2013 are set forth under Liabilities in the PLT Statements of Financial Position as of September 30, 2013 which is enclosed.

Request K:

Please provide the name and address of any member that obtained insurance or coverage of any kind or type from the Property Liability Trust, whether such coverage is by new contract

Attorney Barry Glennon
February 28, 2014
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or renewal at any time between October 1, 2013 and January 10, 2014. Please provide a copy of the contract executed by said member.

Response K:

Enclosed at Schedule K is a list of the 147 members that obtained coverage from PLT by entering renewal or new contracts during the period October 1, 2013 through January 10, 2014. That list includes 144 entities who were members before October 1, 2013; copies of the renewal agreements for these existing members are enclosed. It also includes 3 entities who had not previously been members; copies of the participation agreements for those new members are enclosed as well.

Closing

In closing, I would like to reiterate the request I made to you in my letter of February 14, 2014 that HealthTrust and the Bureau engage in a dialogue regarding how best to proceed, rather than waste taxpayer funds in continued litigation.

In that spirit, I would like to request that the Bureau meet with HealthTrust to discuss the current status of the PLT lines of coverage and the options available regarding how best to operate those lines and maximize the return of the \$17.1 million to HealthTrust. Given the nature of the proposed meeting, HealthTrust requests that appropriate accommodations be made to preserve the confidential nature of any confidential commercial or financial information that may be disclosed. From HealthTrust's viewpoint, inviting third parties to attend and film such a meeting would not be conducive to fully exploring the options available to resolve the matters at issue.

Sincerely, .



David Frydman
General Counsel

cc: Patrick Closson
David Leslie

HealthTrust, Inc. (PL, WC, UC Coverage Lines)
Statement of Financial Position
April 30, 2014*

	PROPERTY LIABILITY	WORKERS' COMP	TOTAL
ASSETS			
Cash and cash equivalents	\$ 18,588,420	\$ 1,296,531	\$ 19,884,950
Investment in external investment pool-NHPDIP	37,370	76	37,446
Investment securities	4,880,207	115,680	4,995,888
Contributions receivable	(15,570)	115,147	99,576
Claims recovery receivable	-	6,372	6,372
Accrued interest receivable	13,463	30,306	43,770
Accounts receivable	274,043	-	274,043
Prepaid expenses	284,896	82,786	367,681
Investment-Center at Triangle Park Real Estate	1,731,104	-	1,731,104
Equipment, net	74,174	35,744	109,919
Restricted Investment Securities**	-	14,371,200	14,371,200
TOTAL ASSETS	\$ 25,868,107	\$ 16,053,843	\$ 41,921,950
LIABILITIES			
Accounts payable and accrued expenses	285,997	332,787	618,784
Unearned contributions	1,725,440	1,222,324	2,947,763
Contribution holiday payable - (2011)	31,051	-	31,051
Contingent liability - BSR Legal Fees	22,838	-	22,838
Loss fund reserves	8,768,428	10,931,883	19,700,311
TOTAL LIABILITIES	\$ 10,833,755	\$ 12,486,994	\$ 23,320,749
NET POSITION			
Undesignated net position	8,859,924	3,517,534	12,377,458
Board designated net position:***	4,402,000	-	4,402,000
Unrealized gain/loss on investment securities	(32,850)	13,570	(19,280)
Investment-Center at Triangle Park Real Estate	1,731,104	-	1,731,104
Invested in Capital Assets	74,174	35,744	109,919
TOTAL NET POSITION	\$ 15,034,353	\$ 3,566,848	\$ 18,601,201
TOTAL LIABILITIES AND NET POSITION	\$ 25,868,107	\$ 16,053,843	\$ 41,921,950

ADDITIONAL NOTES:

* UNAUDITED

** DOL Restricted Investment Securities of \$14,371,200 are \$759,147 in excess of 120% requirement at 4/30/14

*** Board Designated Net Position set at 90% confidence level - as determined by actuaries



May 20, 2014

By US Mail and E-Mail

Attorney Barry Glennon, Director
Bureau of Securities Regulation
New Hampshire Department of State
107 North Main Street, # 204
Concord, NH 03301-4989

Re: In the Matter of Local Government Center, Inc., et al.
C-2011000036

Dear Director Glennon:

We write as the directors of HealthTrust, Inc. in order to convey directly to you our deep desire to resolve this matter on a mutually acceptable basis without further uncertainty, disruption and unnecessary public expense.

In light of the recent loss reserve analysis prepared by our independent actuarial consultants, Towers Watson, it appears that the sole reason for the October 2013 Settlement Agreement – the consequences to HealthTrust of a potential Property Liability Trust, Inc. insolvency – is no longer present. Towers Watson's report and the current financial statements for the PLT runoff (which we understand have been provided to you) demonstrate that the transferred PLT assets almost certainly are adequate to pay HealthTrust the ordered \$17.1 million as well as PLT's coverage obligations. For this reason, HealthTrust offers to settle the matter on the following terms:

- HealthTrust and PLT would rescind the Settlement Agreement with the remaining assets and liabilities returned to PLT. The PLT employees transferred to HealthTrust would be reemployed by PLT.
- PLT would contemporaneously pay HealthTrust the \$17.1 million ordered.
- HealthTrust would distribute the \$17.1 million to its members promptly after June 30, 2014 pursuant to a distribution methodology approved by the BSR.

We believe that these steps address the concerns about the Settlement Agreement expressed by the BSR in that HealthTrust's and PLT's coverage lines would be managed under the supervision of their respective independent boards of directors and HealthTrust would be paid the full \$17.1 million ordered.

Attorney Barry Glennon
May 20, 2014
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Additionally, HealthTrust is willing to resolve the issue of BSR's legal fees by paying for all of BSR's outstanding and reasonable legal fees related to this proceeding.

We are also prepared to consider any other issues which the BSR and PLT believe are necessary to a settlement of these matters.

Sincerely,

HealthTrust, Inc.
Board of Directors

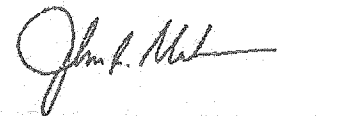

Michelle Clark

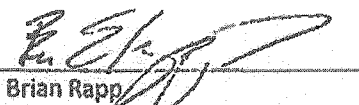

Shelagh Connelly

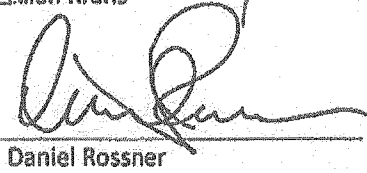

Peter Curro

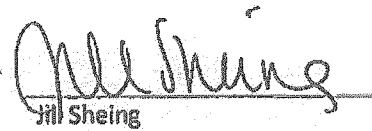

Thomas Enright

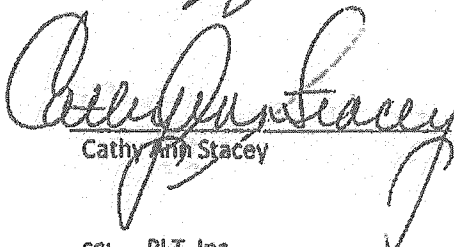

Allan Krans

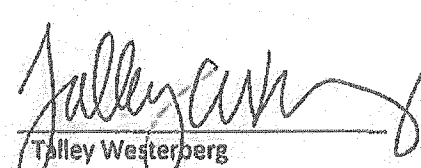

John MacLean


Brian Rapp


Daniel Rossner


Jill Sheing


Cathy Ann Stacey


Talley Westerberg

cc: PLT, Inc.
Department of Labor

TERMINATION AGREEMENT

Preamble

This Agreement ("Termination Agreement") is entered into as of the Effective Date (defined below at ¶ B.1) by and between Property-Liability Trust, Inc. ("PLT") as assignee of the Local Government Center Property-Liability Trust, LLC, and HealthTrust, Inc. ("HealthTrust"), as assignee of the Local Government Center Health Trust, LLC, in order to terminate the Settlement Agreement previously entered by them which became operational on January 10, 2014 (the "Settlement Agreement"). HealthTrust and PLT, each independently, is a "Party" hereunder and together, they are the "Parties".

A. Recitals

1. HealthTrust is a New Hampshire voluntary corporation organized under RSA 292 and operating as a pooled risk management program under RSA 5-B. The mission of HealthTrust is to provide high quality, cost-effective employee benefit products and services for public employers and employees in New Hampshire in order to reduce costs through pooling strategies with a commitment to education, health promotion, and disease prevention.
2. PLT is a New Hampshire voluntary corporation organized under RSA 292 and operating as a pooled risk management program under RSA 5-B. The mission of PLT is to provide high quality, affordable property liability, workers compensation and unemployment coverages to public employers in New Hampshire by pooling their risk and stabilizing costs through a commitment to loss prevention and risk management training.
3. HealthTrust and PLT were among the respondents named in a staff petition submitted to the New Hampshire Secretary of State ("Secretary") by the Bureau of Securities Regulation ("BSR") alleging, among other things, violations of RSA 5-B. The Secretary issued an order on September 2, 2011, granting the BSR petition. HealthTrust and PLT requested a hearing which ultimately resulted in the issuance of the Final Order on August 16, 2012 ("Final Order"). The Final Order imposed both monetary and non-monetary obligations on the Parties.
4. Among the non-monetary obligations contained in the Final Order and applicable to either or both of the Parties were requirements that within 90 days, the Parties reorganize the structure of the governance of the respective pooled risk management programs to provide each program with an independent board and its own set of bylaws (Final Order at 73). In order to comply with this requirement, in November 2012, independent boards and separate bylaws were established for the HealthTrust and PLT pooled risk management programs.
5. Among the monetary obligations contained in the Final Order was the requirement that PLT re-pay \$17.1 million to HealthTrust ("Ordered Re-Payment") (Final Order at 78). Following receipt of the Ordered Re-Payment, the Final Order required that any amounts found to exceed the level of earnings and surplus permitted to be maintained by HealthTrust shall be distributed to HealthTrust members. (Final Order at 76-77, 79).

6. The Parties appealed portions of the Final Order to the New Hampshire Supreme Court in the matter of Appeal of Local Government Center Inc., et. al., Case No. 2012-729. On January 10, 2014 the New Hampshire Supreme Court affirmed the Ordered Re-Payment.

7. For the reasons described in the Settlement Agreement, the Parties concluded that if the New Hampshire Supreme Court affirmed the Ordered Re-Payment, PLT would be rendered insolvent thereby delaying and or reducing payment of the \$17.1 million and interrupting the payment of PLT coverage claims to the detriment of HealthTrust and those PLT claimants which would become competing claimants in an insolvency proceeding.

8. On January 10, 2014 the Settlement Agreement became operational and PLT's assets and liabilities were transferred to HealthTrust. PLT's employees were transferred to HealthTrust and HealthTrust began to process PLT's coverage claims.

9. On February 7, 2014, the BSR filed a Motion for Entry of Default Order against HealthTrust and PLT asserting that the Settlement Agreement violated the Final Order as well as RSA 5-B. The BSR sought as a remedy that HealthTrust and PLT "shall cease and desist operating in violation of the August 16, 2012 Order and N.H. RSA § 5-B or be deemed not entitled to the statutory exemptions from the state's insurance laws and from state taxation granted pursuant to RSA 5-B:6."

10. After the Settlement Agreement became operational, HealthTrust engaged PLT's former independent actuaries (Towers Watson) to review the adequacy of the carried reserves for PLT's coverage obligations as of January 10, 2014. Towers Watson did so and provided HealthTrust in February 2014 with a materially lower central estimate of those obligations. Accrual of that lower amount shows that the transferred PLT assets most likely exceed the amount needed to pay both PLT's coverage obligations and the Ordered Re-Payment.

11. After consulting with Towers Watson and HealthTrust's financial and operational staff as well as legal counsel, it is the business judgment of the HealthTrust Board of Directors that:

- a. The PLT assets transferred pursuant to the Settlement Agreement most likely exceed the amount required to pay PLT's incurred coverage obligations and the \$17.1 million Ordered Re-Payment; and,
- b. The sole reason for the Settlement Agreement, PLT's insolvency, is therefore no longer present.

12. After consulting with Towers Watson and HealthTrust's financial and operational staff as well as PLT's legal counsel, it is the business judgment of the PLT Board of Directors that:

- a. The PLT assets transferred pursuant to the Settlement Agreement most likely exceed the amount required to pay PLT's incurred coverage obligations and the \$17.1 million Ordered Re-Payment; and,

- b. The sole reason for the Settlement Agreement, PLT's insolvency, is therefore no longer present.

B. Agreement

1. This Termination Agreement is effective upon signature by the Parties' duly authorized representatives, as of 5:00 PM Eastern Time on June 6, 2014 ("Effective Date").
2. The Parties agree that the Settlement Agreement is terminated as of the Effective Date.
3. All PLT assets transferred to HealthTrust pursuant to the Settlement Agreement, net of claim payments and other expenses incurred thereunder, are re-transferred to PLT as of the Effective Date.
4. All the remaining PLT liabilities originally transferred to HealthTrust pursuant to the Settlement Agreement are re-transferred to PLT as of the Effective Date.
5. Coincident with the foregoing transfers, PLT will pay HealthTrust \$17.1 million in full and complete satisfaction of its Ordered Re-Payment obligation to HealthTrust.
6. The PLT employees previously transferred to HealthTrust pursuant to the Settlement Agreement will be re-transferred to PLT as of the Effective Date together with all outstanding liabilities related to the employment of those employees between January 10, 2014 and the Effective Date.
7. Any other obligations imposed on PLT or HealthTrust pursuant to the Settlement Agreement are terminated as of the Effective Date.
8. Any service or lease agreements in effect between HealthTrust and PLT on January 10, 2014 immediately prior to the transfers pursuant to the Settlement Agreement (unless specifically modified thereafter) are hereby reinstated on the same terms and conditions in effect on that date.
9. Each Party agrees to take such actions and to execute all such documents as may be reasonably requested in order to effectuate the provisions of this Termination Agreement.

C. Representations and Warranties

1. PLT represents and warrants that:
 - a. As of the date of this Termination Agreement it is duly organized and validly existing and subsisting under the laws of the State of New Hampshire, it is in good standing, and neither the execution, delivery, nor performance of this Termination Agreement will violate any law binding on PLT;
 - b. PLT has the full right and power to enter into this Termination Agreement and to perform all obligations hereunder;

- c. The PLT Board of Directors has reviewed the Termination Agreement, sought such advice and information as it believed necessary, and voted in favor of adopting the Termination Agreement;
- d. The individual signing this Termination Agreement on behalf of PLT is duly authorized to do so.

2. HealthTrust represents and warranties that:

- a. As of the date of this Termination Agreement it is duly organized and validly existing and subsisting under the laws of the State of New Hampshire, it is in good standing, and neither the execution, delivery, nor performance of this Termination Agreement will violate any law binding on HealthTrust;
- b. HealthTrust has the full right and power to enter into this Termination Agreement and to perform all obligations hereunder;
- c. The HealthTrust Board of Directors has reviewed the Termination Agreement, sought such advice and information as it believed necessary, and voted in favor of adopting the Termination Agreement;
- d. The individual signing this Termination Agreement on behalf of HealthTrust is duly authorized to do so;
- e. Since January 10, 2014 there has been no material adverse change in the condition of the assets or scope of the liabilities that were transferred to HealthTrust, except changes arising in the ordinary course of business;
- f. The financial statements delivered to PLT fairly represent the condition of the business operations relating to the PLT property-liability, workers' compensation, and unemployment compensation coverage lines administered by HealthTrust pursuant to the Settlement Agreement; and,
- g. Since January 10, 2014, HealthTrust has caused the operating and financial results of the PLT coverage lines to be tracked and reported separately and the assets re-transferred to PLT hereunder constitute all of the assets attributable to the operation of those property-liability, workers' compensation, and unemployment compensation coverage lines.

D. Covenants

1. Subject to BSR prior approval or non-objection, in the event the re-transferred assets (combined with member contributions through June 30, 2016) prove insufficient to cover all liabilities associated with PLT coverage to existing members through June 30, 2016, HealthTrust will arrange for or provide a line of credit to PLT with commercially reasonable terms in an amount needed to cover the insufficiency in meeting the claims liability associated with PLT coverage to existing members through June 30, 2016.

E. Miscellaneous

1. *Notice.* All communications under this Termination Agreement, including notice, approval or any waiver, extension or other communication required to be reduced to writing, shall be delivered (either in hardcopy or by electronic means) as follows:

If to HealthTrust: Peter Bragdon, Executive Director
Health Trust, Inc.
PO Box 617
Concord, NH 03302-0617
pbragdon@healthtrustnh.org

If to PLT: Wendy Lee Parker, Executive Director
Property-Liability Trust, Inc.
PO Box 2008
Concord, NH 03302-2008
wparker@pltnh.org

2. *Choice of Law and Venue.* This Termination Agreement, any disputes which may arise in connection with the interpretation or enforcement of this Termination Agreement, and the rights and obligations of the Parties shall be governed by the laws of the State of New Hampshire without regard or reference to choice or conflict of law rules. The Parties consent to the exclusive jurisdiction of the Business Court Docket of the New Hampshire Superior Court ("Business Court") for the resolution (subject to a Party's right of appeal) of any disputes pursuant to this Termination Agreement. If for any reason the matter is not accepted by the Business Court then the Parties consent to the exclusive jurisdiction of the Superior Court for Merrimack County.

3. *Interpretation.* The section headings herein are intended for reference and shall not by themselves determine the construction or interpretation of this Termination Agreement. Unless the context of this Termination Agreement clearly requires otherwise: (a) references to the plural include the singular, the singular the plural, and the part the whole; (b) references to one gender include all genders; (c) "or" has the inclusive meaning frequently identified with the phrase "and/or"; (d) "including" has the inclusive meaning frequently associated with the phrases "but not limited to" or "without limitation"; (e) references to "hereunder", "herein", or "hereof" relate to this Termination Agreement as a whole; (f) the terms dollars and "\$" refer to United States dollars. Any reference herein to any statute, rule, regulation, or agreement, including this

Termination Agreement, shall be deemed to include such statute, rule, regulation, or agreement as it may be modified, varied, amended, or supplemented from time to time.

4. *Preamble and Recitals.* The Preamble and Recitals to this Termination Agreement are a part of this Termination Agreement as if set forth in full herein.

5. *Waiver.* Any agreement on the part of any Party hereto to any extension or waiver shall be valid only if in writing signed by the Party granting such waiver or extension and shall be a one-time waiver or extension only, and any such waiver or extension or any other failure to insist on strict compliance with any duty or obligation hereunder shall not operate as a waiver or extension of, or estoppel with respect to, any continuing, subsequent, or other failure to comply with this Termination Agreement;

6. *Rights and Remedies.* Except as otherwise provided in this Termination Agreement, the rights, powers, remedies, and privileges provided in this Termination Agreement are cumulative and not exclusive of any rights, powers, remedies, and privileges provided by applicable law.

7. *Entire Understanding; Modification.* This Termination Agreement represents the entire understanding between the Parties with respect to the subject matter hereof and supersedes any and all prior understandings, agreements, plans, and negotiations, whether written or oral, with respect to the subject matter hereof. All modifications of this Termination Agreement must be in writing and signed by each of the Parties hereto.

8. *Time of the Essence.* The Parties hereto hereby agree that time shall be of the essence with respect to the performance of this Termination Agreement.

9. *Third Party Beneficiaries.* This Termination Agreement does not and is not intended to confer any rights or remedies upon any person other than the Parties.

10. *Execution in Counterparts.* This Termination Agreement may be executed in one or more counterparts, any of which shall be deemed an original and all of which taken together shall constitute one and the same Termination Agreement. Execution and delivery of this Termination Agreement may be evidenced by facsimile or electronic transmission.

Property-Liability Trust, Inc.

By: 

Dennis J. Pavlicek
Chairman of the Board

~~June~~, 2014

May 30,

HealthTrust, Inc.

By: 

Peter J. Curro
Chairman of the Board

June 3, 2014

STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE

IN THE MATTER OF:)

Local Government Center, Inc., et al.)

RESPONDENTS)

C-2011000036

SECOND AFFIDAVIT OF DENNIS PAVLICEK

I, Dennis Pavlicek, depose and state on oath as follows:

1. I am the Chair of Property-Liability Trust, Inc. ("PLT"), a position I have held since May 7, 2013. My responsibilities in this position include serving as the presiding officer of the Board of Directors of PLT.

2. The PLT Board of Directors presently consists of six individuals, all of whom were elected or re-elected by the PLT Members at the PLT annual meeting in December 2013. The PLT Board has met to discuss the runoff on two occasions since January 10, 2014, including meetings on March 4 and May 30 (it also met numerous other times in "non-meeting" consultation with legal counsel).

3. By letter dated April 23, 2014, PLT requested quarterly updates from HealthTrust regarding the runoff of its coverage lines pursuant to HealthTrust's obligations under the Settlement Agreement. A copy of that letter is attached as Exhibit 6. HealthTrust has provided the PLT Board with reports and information about the PLT runoff regularly, including on March 4 and May 22, 2014.

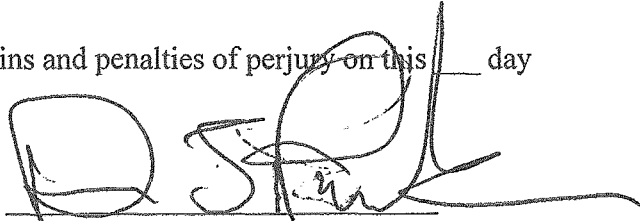
4. By letter dated April 4, 2013, PLT requested BSR approval of a 90% confidence level. A copy of that letter is attached as Exhibit 7. The BSR did not respond to that request.

5. When representatives of HealthTrust and PLT (including the Chair of PLT's Boards of Directors) and HealthTrust's and PLT's respective counsel arrived to meet with the BSR on February 4, 2014, they found third parties present to record the meeting. At the meeting, HealthTrust offered to respond to questions and expressed a willingness to discuss any BSR comment on the Agreement. The BSR asked few questions and did not comment on the Agreement.

6. On February 19, 2014, PLT wrote to the BSR and the DOL requesting the opportunity to meet with the DOL and the BSR to obtain their guidance. A copy of that letter is attached as Exhibit 8. While the DOL was willing to meet, the BSR declined. On February 27, 2014, the DOL sent a letter to the BSR suggesting a meeting soon involving the regulators. A copy of that letter is attached as Exhibit 9. The BSR again declined.

7. HealthTrust and PLT have terminated the Agreement. In February 2014 Towers Watson provided estimates of PLT's coverage obligations as of January 10, 2014 that were materially lower than prior estimates. The results of the PLT coverage lines runoff have been favorable. In light of these changed circumstances, the sole reason for the Agreement, PLT's insolvency, is no longer present. Accordingly, on May 30, 2014, the PLT Board of Directors voted to enter a Termination Agreement proposed by HealthTrust. The Termination Agreement was fully executed on June 3, 2014.

Subscribed and sworn to by me under the pains and penalties of perjury on this _____ day of June 2014.


Dennis Pavlicek



McLane, Graf,
Raulerson & Middleton
Professional Association

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Admitted in NH, MA and ME

April 23, 2014

David Frydman, Esq.
General Counsel
HealthTrust, Inc.
25 Triangle Park Drive
P.O. Box 617
Concord, NH 03302-0617

Re: Property-Liability and Workers' Compensation Coverage Line Reports

Dear David:

I am writing to you on behalf of Property-Liability Trust, Inc. As you know, PLT is a party to the Settlement Agreement by and between PLT and HealthTrust, Inc. dated October 29, 2013. The Settlement Agreement became operative following the January 10, 2013 opinion of the New Hampshire Supreme Court affirming PLT's obligation to pay HealthTrust \$17.1 million. As a result of the Supreme Court's opinion, and in full satisfaction of PLT's obligation to HealthTrust, PLT transferred all of its assets and liabilities to HealthTrust. Pursuant to the terms of the Settlement Agreement, HealthTrust agreed to manage the runoff of PLT's coverage obligations using the assets transferred from PLT and the existing administrative structure (Settlement Agreement at para. D.3). In addition, HealthTrust agreed, at paragraph E.2. of the Settlement Agreement, to cause the operating and financial results of HealthTrust's health coverages and the PLT "runoff" to be tracked and reported separately.

In connection with the ongoing obligations of the PLT Board, PLT requests that HealthTrust provide it with the following information regarding the runoff of the PLT coverage lines:

1. Summary of coverage renewal status for the property and workers' compensation coverage lines;

David Frydman
April 23, 2014
Page 2

2. Summary of any key trends in the renewals or non-renewals that could have a material impact on the PLT coverages;
3. Current financials relating to the PLT coverage lines;
4. All updated, since January 10, 2014, actuarial reports received by HT relating to the PLT coverage lines;
5. List of any departures of key employees who serviced the PLT coverage lines; and
6. Summary of any changes or events that could have a material impact on the coverages lines.

Going forward, PLT requests that HealthTrust provide updates of the information requested above to PLT on a quarterly basis. If you have any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,



Patrick C. Closson

PCC:kmb

cc: Dennis Pavlicek, Chairman of the Board



April 4, 2013

Barry J. Glennon, Director
Bureau of Securities Regulation
N.H. Department of State
107 North Main Street #204
Concord, NH 03301-4989

Dear Director Glennon:

I am writing on behalf of the Property-Liability Trust (PLT) to formally seek the Bureau of Securities Regulation's (BSR) approval to continue to utilize a 90% confidence level. This request is a result of the Administrative Order in the BSR's administrative proceeding against Local Government Center Property-Liability Trust (PLT), in particular Paragraph 12 on Page 78, which states:

"In the future the Local Government Center's Property and Liability risk pool management program, however it may be organized, shall utilize a generally accepted actuarial analysis to determine its required net assets and shall annually return any excess surplus in cash, dividends or their equivalents to members. The generally accepted actuarial analysis must be approved by the BSR consistent with its supervisory authority which it shall exercise in good faith."

As evidenced by the annual financial statements submitted to the Department of State, the PLT program has consistently utilized, since well before 2003, a 90% confidence level as determined by its independent actuary, Towers Watson. A copy of the most recent Executive Summary Confidence Level Analysis report as of December 31, 2012 is enclosed for your reference.

As you may recall, I raised this request at our meeting on January 25, 2013 and explained that PLT was required to obtain the approval of the actuary prior to releasing the Executive Summary Confidence Level Analysis report. At the time, we agreed that PLT should delay filing the formal written request until PLT was able to include the actuary's report with the request.

I look forward to answering any questions you may have relative to this request or the Confidence Level Report itself. Please feel free to contact me at 226-2861 X3366.

Sincerely,

Wendy Lee Parker
Deputy Director for Risk Pool Operations

Enclosures



McLane, Graf,
Raulerson & Middleton
Professional Association

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PATRICK C. CLOSSON
Direct Dial: 603-628-1457
Email: patrick.closson@mclane.com
Admitted in NH, MA and ME

February 19, 2014

Via Electronic Mail and U.S. Mail

Martin Jenkins, Esq.
Legal Counsel
State of New Hampshire
Department of Labor
State Office Park
Spaulding Building
95 Pleasant Street
Concord, NH 03301

Andru H. Volinsky, Esq.
Bernstein Shur
670 North Commercial Street
Suite 108
Manchester, NH 03105-1120

Re: Property-Liability Trust, Inc.

Dear Attorney Jenkins and Attorney Volinsky:

I am writing on behalf of Property-Liability Trust, Inc. to request a joint meeting with the Department of Labor and Bureau of Securities Regulation regarding PLT and the structure of the runoff of the PLT coverage lines in the event that the Settlement Agreement between PLT and HealthTrust, Inc. is deemed unenforceable. PLT continues to be committed to open communication and cooperation with its regulators, and continues to be focused on achieving the best available result for its members. As you know, on February 7th the Bureau filed a Motion for Entry of Default Order with Hearing Officer Mitchell. The Motion raises questions regarding the viability of the Settlement Agreement. In light of the uncertainty regarding the Settlement Agreement, PLT requests the opportunity to meet with the DOL and the Bureau to obtain their guidance regarding the runoff of the PLT coverage lines in the event that the Settlement Agreement is practically or legally rendered unenforceable. PLT's hope is that the direction provided to it at this meeting will allow PLT to chart a path that is both acceptable to its regulators and achieves the best available result for its members.

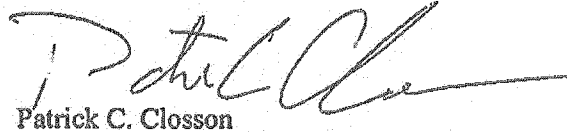
The nature of the meeting requires the disclosure of confidential commercial and financial information. As set forth in the Attorney General's Memorandum on New Hampshire's Right-To-Know Law, RSA Chapter 91-A, "Generally, public bodies are subject to the open

Martin Jenkins, Esq.
Andru H. Volinsky, Esq.
February 19, 2014
Page 2

meeting requirements and public agencies are not." Given the nature of the proposed meeting, PLT requests that appropriate accommodations be made to preserve the confidential nature of any confidential commercial or financial information that may be disclosed. If we are able to schedule this meeting, PLT requests advanced notice if the DOL or the Bureau plans to invite members of the public.

I will be in contact with your office to schedule a time for this meeting.

Very truly yours,



Patrick C. Closson

PCC:kmb

cc: Peter Nils Baylor, Esq.



State of New Hampshire

Department of Labor

James W. Craig
Commissioner of Labor

David M. Wihby
Deputy Labor
Commissioner

Exhibit 9

Hugh J. Gallen
State Office Park
Spaulding Building
95 Pleasant Street
Concord, NH 03301
603/271-3176
TDD Access: Relay NH
1-800-735-2964
FAX: 603/271-6149
<http://www.labor.state.nh.us>

February 27, 2014

Barry Glennon, Dir.
NH Dept. of State
Bureau of Securities Regulation

Re: Health Trust; Property Liability Trust

Dear Mr. Glennon:

I just recently saw the February 11 letter that you sent to Health Trust, concerning implementation of the settlement agreement for PLT to pay its debt to Health Trust (by giving over everything it had). This letter was used as a reason by Attorney Volinsky to refuse a meeting involving your agency, NHDOL and PLT.

However, I feel I should point out that your letter may not give sufficient attention to a possible conflict in jurisdiction. Specifically, you imply that your office must oversee any "run-off" of all PLT's "books of business." However, by RSA 281-A:11, the NHDOL has exclusive jurisdiction over the workers' compensation operation.

I know that your office must oversee chapter 5-B entities, in accordance with the requirements of RSA 5-B:5. But regardless of PLT's status as a 5-B organization or not, the business of operating a workers' compensation self-insured group of public employers (or the obligation of each self-insured public employer itself, if their group status is compromised) is overseen only by NHDOL.

With that in mind, it would seem prudent to have a meeting soon involving the regulators who must each deal with PLT's and HealthTrust's oversight, to assure we are all working jointly and smoothly for the good of NH citizens.

Sincerely,


Martin Jenkins
Legal Counsel

Cc: Pat Closson, McLane Graf, Suite 301, 100 Market Street, Portsmouth, NH 03302