EXHIBIT A

Expert Witness Report
Prepared by Michael A. Coutu
February 17, 2012
In Re: Case # C-3011000036

I. Background and Experience

I have had a 26-year career in property and casualty insurance. For most of that career, I served as the CEO and/or Chairman of the Board of insurance companies in financial distress arising from failed underwriting platforms, uncollectible reinsurance and/or mass tort and latent claims. The management of such companies became known in the US as "voluntary runoff" and provided regulators with an alternative to placing a failing insurance company in a formal proceeding of rehabilitation or insolvency.

My involvement with the insurance industry dates back to 1984. I was asked by American Express Company ("AMEX") to assist Fireman's Fund Insurance Company, then a wholly owned subsidiary of AMEX, in connection with a large surety and cash flow ("paid loss") property and casualty exposure to a Fortune 500 manufacturer of agricultural machinery which was teetering on bankruptcy. In early 1985, AMEX transferred me to Fireman's Fund on a full-time basis.

My initial involvement in insurance focused on financial guarantees issued in concert with tax-exempt municipal and revenue bond obligations and a mix of taxable and tax-exempt corporate structured financings ("Credit Enhancement Transactions"). Prior to giving effect to reinsurance, Fireman's exposure, based on the face value of guarantees issued and outstanding, totaled $26 billion measured against Fireman's then Policyholders' Surplus of $750 million. My mission was to substantially reduce Fireman's exposure. This led to the formation of Municipal Bond Insurance Corporation, successor to Municipal Bond Insurance Association, in which Fireman's was a 30% risk participant. Structured financings primarily involved low to moderate income housing, the construction of which was financed by savings and loan associations ("S&Ls"). The "long term takeout" of the construction loan was effected by issuing bonds through local housing authorities and similar agencies. Fireman's guaranteed repayment of these bonds. Fireman's exposure was reduced by "unwinding" the transactions through the application of collateralized securities pledged by the S&Ls against the guaranteed obligations. In addition to managing the Financial Guarantee Division, I also served as Fireman's Chief Credit Officer with overall responsibility for credit-sensitive insurance products including financial guarantees, performance sureties, retrospectively rated insurance products and ceded reinsurance.

Following the sale of Fireman's via an IPO in the fall of 1985, I joined the private investment firm of Glucksman & Company specializing in non-judicial restructurings and bankruptcy. My primary responsibility included advising corporations undergoing restructuring outside of a judicial proceeding or as a debtor-in-possession following a filing of a petition for relief under the US Bankruptcy Code. In 1988, I formed my own firm, Oakhill Financial Group, continuing my specialty in bankruptcy matters, particularly (i) the treatment of policies of insurance and the settlement of claims with respect to the effect of the automatic stay, (ii) reimbursement by the bankrupt insured of claims paid by the insurer under retrospectively rated insurance policies, (iii) self-insurance vs. paid loss "cash flow" policies, (iv) the proper characterization of an insurance policy as an asset of the debtor's estate and whether proceeds paid under any such policies constituted property of the insured debtor and (v) the appropriate treatment of claimants under policies of insurance as a creditor class. The key bankruptcies I was involved with included Allis-Chalmers, Dow Corning, Wheeling Pittsburg Steel Corporation, Todd Shipyards, A. H. Robbins Company and The Consolidated Companies among others.

In 1992, I was hired by Crum & Forster Insurance Companies ("C&F Companies"), then owned by Xerox Corporation, to stem insurance operating losses, address $2.5 billion in non-performing ceded reinsurance and find an acceptable exit strategy for Xerox to terminate its involvement in property and casualty insurance. As part of that assignment, I formed The Resolution Group, Inc. ("TRG") to manage all distressed, discontinued and unprofitable lines of insurance business, the resolution and collection of non-performing reinsurance and the handling of all mass tort claims including asbestos, pollution, breast implant, tobacco and other major latent claims. As part of the 1992/1993 Restructuring of the C&F Companies and approved by Departments of Insurance in all 50 states, TRG's wholly owned insurance unit, International Insurance Company, assumed all runoff liabilities of the C&F Companies, in addition to its own substantial balance sheet of discontinued and distressed books of business.

Measured by outstanding reserves, International Insurance was the largest runoff insurance company in the US. Following the successful runoff of International, the remainder of my career was concentrated on runoff management of property and casualty companies -- including Sphere Drake UK (2000-2002), TIG Insurance Company (2002-2003), Kemper Insurance Company (2003-2004), Trenwick Insurance Companies (2003-2004), Lincoln General Insurance Company (2009-2010) and a multitude of insurance service companies including Envision (latent) Claim Services, RiverStone Resources, RiverStone Claims Management and RiverStone Reinsurance Services. For the majority of these companies I served as the Chief Executive Officer and/or Chairman of the Board. (For specific employment details, see Exhibit A.)

II. Scope of Examination

In preparing my report, I reviewed and analyzed the audited financial statements for years ended 2000 through 2010 of Local Government Center HealthTrust, LLC ("HT"), Local Government Center Property-Liability Trust, LLC ("PLT"), the Workers' Compensation Trust Fund "(WCT") (collectively referred to as the "Risk Pools") prior to and after its 2007 merger into PLT, New Hampshire Municipal Association, LLC ("NHMA") or their predecessor and Local Government Center Real Estate, Inc. ("Real Estate") and Local Government Center, Inc. ("LGC" or "Holding Company") audited financial statements for years ended 2002 to 2010, and with respect to each of the foregoing financials, the Management's Discussion and Analysis, Notes to the Financial Statement and Supplementary Information; various actuarial reports prepared by Peter J. Reimer; LGC's Bylaws as amended through December 15, 2011; the October, 2010 affidavits of Jenny P. Emery, Sandal R. Keeffe, Wendy Lee Parker, Jessie W. Levine and Peter J. Reimer given in the matter of Professional Firefighters of New Hampshire v. New Hampshire Local Government Center, Inc; the Report on Local Government Center by the Bureau of Securities Regulation Investigation dated August 2, 2011; the Bureau of Securities Regulation Staff Petition in the matter of Local Government Center, Inc. et al dated September 2, 2011 and as amended; the response of Local Government Center et al dated January 6, 2012; Title I Chapter 5-B and such other documents or material which I deemed necessary or appropriate to examine in connection with my report, its findings and conclusions.

III. Findings

Financial Findings

- Between 2003 and 2010, $34,728,000 was distributed by HT, PLT and WCT to LGC. Of that amount, $5,300,932 were non-cash transfers to LGC including HT's $3,411,085 million (75%) and PLT's $1, 064,668 million (25%) investment in Real Estate and an additional $519,285 WCT investment HT carried on its book and $305,894 transferred from PLT to LGC as part of the 2003 reorganization. No consideration was paid to any of the Risk Pools in connection with such distributions. Of the remaining $29.4 million, $18,302,000 was contributed by LGC to WCT to subsidize losses in that Trust, and $3,524,000 was contributed by LGC to the Real Estate subsidiary with an additional transfer of $1,745,000 from an unidentified affiliate to this same subsidiary. (For a summary of LGC and the risk pools financials see Exhibit B for years 2002 to 2004, Exhibit C for years 2005 to 2007 and Exhibit D for years 2008-2010. For a summary of the Intercompany Transfers see Exhibit E.)

- Of the $34.7 million distributed by the Risk Pools, HT distributed $31.2 million (90%), PLT $3.3 million (9%) and WCT $302,000 (1%).

- From 2003 to 2010, WCT sustained net losses of $17,775,000 offset by the $18.3 million contributed by LGC.

- Absent the contributions made by LGC to WCT to offset losses, the Workers Compensation Trust would have failed. Jenny P. Emery of the global professional services company, Towers Watson, in her affidavit of October 21, 2010 given in the matter of Professional Fire Fighters of New Hampshire v. LGC, correctly describes LGC's contribution to WCT as a subsidy. Indeed, in nine (9) instances in her affidavit, she refers to such contributions as a "subsidy," "subsidize" or "subsidization," a practice she concluded cannot continue indefinitely. Her characterization is correct.

- On June 2, 2011, LGC's Board adopted a resolution that established a non-interest bearing promissory note from WCT to HT in the amount of $17,111.804 in repayment of that portion of the 1% employer contributions funded by HT to support the development of the workers compensation program. The note does not provide for any scheduled repayments of principal but rather the repayment of the note will be made from excess funds, if any, in the workers compensation program after accounting for other liabilities, operating expenses and needed reserves.

- The statutory provisions of Chapter 5-B do not contemplate or provide for the transfer of cash from one risk pool to another by way of a common holding company or by any other means. Further, based on information and belief, the members (also referred to as "participants") of each of LGC's three Risk Pools are not necessarily the same members nor are the members of a given risk pool the same members year after year. Thus, the interests of the members are not necessarily aligned as perhaps might be the case if the members were the same participants in each of the three Risk Pools. I note, for example, that the Town of North Hampton purchases healthcare coverage from HT but obtains workers compensation coverage through Primex, a competitor to LGC.

- Of the remaining $11,157,000 in Risk Pool distributions made to LGC excess of contributions made by LGC to its subsidiaries, an estimated $7,477,000 was used to cover losses at the Holding Company as a standalone entity, prior to giving effect to its consolidated financial results with the balance of $3.9 million bolstering its Net Assets from $5,246,000 at fiscal year end 2003 to $9,201,000 as of December 31, 2010. It does not appear that LGC prepared a consolidated or consolidating Statement of Revenues and Expenses ("Income Statement") for the period ended December 31, 2003. Berry Dunn's Independent Auditor's Report for that year, qualified its opinion stating that LGC did not include required supplementary information, including management's discussion and analysis which information is required by the Government Accounting Standards Board. Consequently the estimate of net losses suffered by LGC may be greater or lower than the $7.5 million stated above.

- Following the LGC board decision to adopt the National Association of Insurance Commissioners ("NAIC") Risk Based Capital ("RBC") methodology and a target level of 4.2, HT reached that target in 2005 at 4.5 and then exceeded it -- posting RBC of 6.0, 6.7, 6.4 and 4.8 in 2006, 2007, 2008 and 2009 respectively. (Source: Bureau of Securities Report dated August 2, 2011 with reference to the Segal Report of 7/28/11.) [Calculation of RBC uses a complex mathematical formula with a covariance factor. I did not have access to that formula. Nonetheless, using a proportional mathematical calculation where the (i) Board Designated capital, based on the audited financial statements and notes to the financial statements attesting that such capital is at a RBC level of 4.2, and (ii) then separately adding (x) the capital component for Administrative Needs, (y) Unrestricted capital and (z) Board Designated capital, reasonably affirms that the calculations in the BSR Report. For example, in 2007, the proportional mathematical calculation results in a 6.61 RBC; 6.4193 for 2008 and 4.68 for 2009 vs. 6.7, 6.4 and 4.8 respectively in the BSR Report.]

- RBC was promulgated by the NAIC pursuant to Insurers Model Act of 1993 and enacted the following year. All states, including New Hampshire, have adopted the Model Act or one that is largely similar. RBC is a complex calculation of insurance business risk including an assessment of asset risk, credit risk, underwriting risk and off-balance-sheet risk. There are separate RBC formulas used for life, property and casualty, and health insurers. RBC -- which is a measure of capital adequacy, not reserves -- calculates the hypothetical minimum capital level as compared to the insurer's actual capital level. This minimum capital amount is referred to as the Authorized Control Level or ACL. Thus, if an insurer has a RBC of 2.0, it means a capital level which is twice the minimum required. Insurance regulators will take increasing levels of remedial action once an insurer's RBC falls below 2.0, potentially leading to the regulator's placing an insurer in a formal proceeding. An insurer is deemed to have a satisfactory level of capital at 2.0 or higher. For health insurers, the formula also contains a "trend test." If a health insurer's RBC is between 2.0 and 3.0 and has a combined ratio greater than 105%, it will trigger a "Company Action Level Event" which requires the insurer to submit a plan for restoring RBC to the proper level.

- LGC was not required to adopt RBC, the specific form of which is believed to be The Health Organizations Model Act Volume II – 315. Pursuant to RSA Title I, Chapter 5-B:6, LGC's Risk Pools are not subject to insurance regulation and, therefore, were under no obligation to adopt RBC. Following a 2002 recommendation made by Peter J. Riemer, LGC's long time consulting actuary, the LGC board of directors adopted RBC and set a target level of 4.2.

- RBC is a measure of capital adequacy not reserves, as noted above. Further, Mr.Reimer in an RBC presentation to the LGC board on July 10, 2008 stated, "Risk Based Capital is a ratio or score that provides something to measure capital." LGC and certain of its various consultants advising the company, nevertheless, have consistently characterized RBC as a measure of reserves. Reserves are carried on the liability side of the balance sheet. As promulgated by the NAIC, RBC seeks to establish a minimum amount of capital (not reserves) commonly referred to in the insurance industry as "Policyholders' Surplus" or simply by the term "Surplus." Surplus is the excess assets over liabilities. With respect to HT, its net assets are the equivalent of surplus. Peter Riemer in his affidavit of October 15, 2010, states at page 3 "[W]hat we call Members' Balance, the rest of the world call Surplus or Capital. [M]embers' Balance, by any of its names – net assets, capital, surplus or reserves – denotes funds used as a safety net to absorb adverse experience. [H]ealthTrust uses the designation Members' Balance because it is a not for profit limited liability company and all the net assets legally belong to the members. The use of the terms Surplus or Capital for the same concept, as used commonly by the rest of the world…" Mr. Riemer's characterization of Members' Balance or Net Assets as surplus is the correct characterization.

Supporting Mr. Riemer's comment that Members' Balance and Net Assets have the same meaning, prior to 2003 for HT and after 6/30/03 for PLT, HT's and PLT's financial statements presented the excess of assets over liabilities as "Members' Balance." Indeed in HT's and PLT's notes to the financial statement for years ended December 31, 2002 and June 30, 2003 respectively, the outside auditor, Berry Dunn, McNeil & Parker, felt it necessary to disclose that the "HealthTrust (Property-Liability Trust in the case of that financial statement) reports the difference in the Statement of Net Assets between assets and liabilities as Members' Balance and not Net Assets as recommended by GASB 34. Management believes that Members' Balance more appropriately describes the nature of HealthTrust's (Property-Liability Trust) net financial and capital resources." LGC management clearly understood that Member's Balance represents amounts legally owned by the risk pool members and by extension of Mr. Riemer's aforementioned comments, that Members' Balance represents the excess of assets over liabilities or surplus.

- For years 2005 through 2009 HT has exceeded its target RBC ratio of 4.2. Although it has varied over the years, the components of HT's net assets include Unrestricted net assets, Board designated net assets, Unrealized gain on investment securities and Invested capital assets. Board designated is that component of net assets for which the LGC board is applying the RBC measure of "reserve" adequacy with a target level of 4.2. However, the LGC board further adopted a provision to cover "administrative needs" which was set at 0.5 RBC resulting in an effective RBC of 4.7. This practice of creating what appears to be a "reserve" for future expenses is highly unusual. Irrespective of the accounting standard followed, expenses must be recognized ("expensed") during the accounting period in which they were incurred. If this amount is intended to cover claims related expenses, then it should have been reported as part of the loss reserves on the liability side of the balance sheet, not net assets. Absent clarifying information to the contrary, it appears that the the sole purpose of creating a provision for "administrative needs" was to "bulk up" the net assets of HT.

  More substantively, LGC has ignored, at least for years 2005 through 2009, the net asset category "Unrestricted net assets" which in 2008, following the 2005 financial statement "re-labeling," peaked at $25.7 million. Under Generally Accepted Accounting Principles or GAAP, unrestricted net assets is the equivalent of retained earnings based on "Net Profits" retained by HT after distributions and the amount needed to achieve the 4.7 RBC target. When both the component for administrative needs and unrestricted net assets are used in the calculation of RBC, HT's actual RBC ratio was 6.0, 6.7, 6.4 and 4.8 in 2006, 2007, 2008 and 2009 respectively.

- Putting aside the argument about reserves vs. surplus, the question is whether the amount being retained by HT is "excessive." To conclude on this point, an examination must be taken of HT's invested assets, excluding cash, and compare it with HT's claim payout pattern. Starting first with investments, Table 1 below summarizes investments for years 2008, 2009 and 2010.

Table 1. **HealthTrust Investments 2008-2009**[1]

	2008	Totals	2009	Totals	2010	Totals
Investments[2]**:**						
Maturity Dates						
Not Applicable	5,636,446		7,097,625		8,094,296	
Within 1 year	23,905,385		15,577,299		2,038,946	
Subtotal < 1 year		29,541,831		22,674,924		10,133,242
1 < 5 years	17,448,673		17,086,843		12,948,231	
5 < 10 years	4,708,957		6,494,611		8,543,970	
10 + years	11,843,642		10,764,565		14,266,797	
Subtotal 5 to 10+ years		16,552,599		17,259,176		22,810,767
Total Investments		**63,543,103**		**57,020,943**		**45,892,240**
% excess of 1 year		**53.5%**		**60.2%**		**77.9%**
% excess of 5 years		**26.0%**		**30.3%**		**49.7%**
% excess of 10 years		**18.6%**		**18.9%**		**31.1%**

[1] Amount shown is the fair value as reported in the HealthTrust audited financials

[2] **Investments exclude cash and cash equivalents of $54,248,643 for 2008, $41,698,180 for 2009 and $52,523,731 for 2010**

As the above chart indicates, investments excess of 5 years totaled $16.6 million (26%), $17.3 million (30.3%) and $22.8 million (49.7%) for years 2008, 2009 and 2010 respectively. In the Supplementary Information, which forms part of each audited financial statement, is an exhibit labeled "Ten-year Claims Development Information." In section 4 of that exhibit, labeled "Net paid (cumulative) as of," there is a triangle-shaped display of numbers. For the year ended 12/31/10, this data shows what was paid as claims under policies of insurance going back to 2001 to 2010 (12/31/09 for for the 2009 financials and 12/31/08 for the 2008 financials). Due to document size limitations, I will display in Table 2 below the net claims paid for 2001 through 2004 only. (The actual exhibit extends to 2010.) This part of the claims history reported in the 2010 numbers illustrates a point.

Table 2. Ten-Year Claims Development Information for 2010

Net paid(cumulative) as of	**2001**	**2002**	**2003**	**2004**
End of policy year	131,956	169,958	196,925	215,715
One year later	126,479	163,728	216,544	230,927
Two years later	127,253	163,728	216,544	231,146
Three years later	127,253	163,728	216,543	231,072
Four years later	127,253	163,728	216,542	231,060
Five years later	127,253	163,728	216,542	231,056
Six years later	127,253	163,728	216,532	231,057
Seven years later	127,253	163,728	216,532	-
Eight years later	127,253	163,729	-	-
Nine years later	127,253	-	-	-

In 2001, $132 million in net claims were paid prior to the 12/31/01 expiry of that policy period. One year later total net claims reduced to $126.5 million presumably due to rebates, refunds, cancellations or other undisclosed reasons, and two years later $127.3 million. From that point, the net claims paid remained at $127.3 million meaning that by the end of the second year after the policy period expired, there were no new claims. The results are similar for 2002 although it appears that there were no new claims relating to the policy period expiring 12/31/02 one year after the end of that policy period. In 2003, net claims paid relating to that year largely were paid within one year after the policy period expired, with very minor changes in claims thereafter. For 2004, net claims paid relating to that policy year ending 12/31/04, largely manifested and were paid within two years following the expiry of the policy period.

The significance of the foregoing is that healthcare, like auto and homeowners, is a "short tail" line of business. Claims for short-tail lines generally manifest within a three-year period. For HT, the overwhelming preponderance of claims is paid within two years following the end of the policy period. While the claims development information contained in HT's audited financials include a number of claims paid beyond the two-year period, such claims are statistically insignificant. Even though HT is a risk pool, I believe its claims payout pattern largely reflects the experience of commercial, regulated healthcare insurers.

Despite the shortness of HT's claims payout pattern, it holds a substantial amount of cash in investments exceeding five (5) years and indeed a significant amount going beyond 10 years at 18.6%, 18.9% and 31.1% of total investments for years 2008, 2009 and 2010 respectively. Further, beyond amounts invested, HT has an extraordinarily large cash position with cash and cash equivalents of $54.2 million, $41.7 million and $52.5 million for the same years under review. On the basis of the combination of investments exceeding HT's claims payout pattern and a robust cash position, it is reasonable to conclude that this risk pool is retaining excess funds beyond amounts required to support its claims exposure.

- **Surplus vs. Reserves**

LGC has consistently argued that Net Assets is not "surplus." Indeed, Sandal Keeffe, Deputy Executive Director and Chief Financial Officer states at page 6 in the her affidavit of October 21, 2010 in the action brought by the Professional Fire Fighters of New Hampshire against LGC that "[R]isk Based Capital is not excess earnings and surplus as described in RSA 5B:5(I)(c). Risk Based Capital is in fact a portion of the net assets designated by the Board of Directors which is reserved for the purposes of protecting against unknown potential risks based on number of factors." Ms. Keeffe further states that "[w]hether referred to as Members' Balance, Board Designated Net Assets or Risk Based Capital these funds are <u>not</u> essentially money that belongs to New Hampshire cities and town and their employees and retirees after all claims are paid and reserves retained." Her assertion directly contradicts Mr. Reimer's statement in his affidavit in connection with the same matter that the "[H]ealthTrust uses the designation Members' Balance because it is a not for profit limited liability company and <u>all of the net assets legally belong to the members</u>." (emphasis added).

Mr. Reimer has it correct; Ms. Keeffe does not. State regulated insurance companies be it life, property and casualty, or health insurers, properly record loss reserves as a liability on the balance sheet. Indeed, HT (as do the other LGC risk pools) follows this accounting practice and records reserves on its balance sheet as a liability.
As an example, HT recorded reserves on its financial statements for years 2008, 2009 and 2010, at $23.9 million, $23.6 million and $19.6 million respectively. The fundamental purpose of reserves is to provide for known and unknown (IBNR) losses. In contrast, net assets or surplus is intended to provide a cushion against <u>insolvency</u> for a variety of business risks including poor underwriting results, uncollectible reinsurance, investment losses, extraordinary claims and other business risks.
Indeed the risk of insolvency is borne by the members/participants not LGC and not Anthem. As in the case of stockholders of a corporation, they as stakeholders are the legal owners of the Risk Pools. That LGC serves as a holding company over the Risk Pools does not constitute legal ownership of such Pools. Thus, the member stakeholders own the risk pools, and if the risk pools were to be dissolved, the remainder net assets, if any, would be distributed to them after satisfaction of all liabilities and obligations. LGC's assertion that net assets are not surplus is a distinction without merit. HT has invested in securities well beyond its claims payout pattern; that is clear evidence that excess surplus exists.

<u>Non-Financial Findings</u>

- **LGC Bylaws as amended through December 15, 2011**

  - Board of Directors

    The Bylaws provide that LGC Board of Directors (the "Board") shall be comprised of 12 Municipal Public Officials, 12 School Public Officials, 6 Employee Officials and 1 County Public Official. In addition to serving as directors for the governance of LGC 's corporate interests, the Board also serves as the fiduciaries for the Risk Pools which do not have separate boards or trustees. The requirements under Chapter 5 – B:5 (I)(b) clearly state that "Each pooled risk management program shall [B]e governed by a board the majority of which is composed of elected or appointed officials." (Emphasis added.) As currently constituted, LGC's Board does not meet the requirements of the aforementioned RSA. The inherent insurance characteristics of healthcare, property liability and workers' compensation are indeed separate risk management programs based on the underwriting requirements and claims adjustment protocols necessary to properly manage each such program.

    LGC's "one size fits all" approach may provide certain operating efficiencies but places in peril the fiduciary duties and obligations that a dedicated board (with respect to the Risk Pools) would be required to fully discharge as a matter of law.

Further, the current board construction is fraught with conflicts. The LGC Board's practice of pulling cash out in the form of distributions from HT to subsidize the losses in WCT, is a boldfaced example of the board's failure to meet its obligations to the members of the HT risk pool. Had HT had its own dedicated board or trustees, it is reasonable to conclude that such board would not have approved $27.7 million in cash distributions from 2004 through 2010 to subsidize WCT which has been losing money since its formation in 2000 and which, absent the subsidies, would have been insolvent.

The breach of fiduciary duty is further exacerbated by the fact that the members of any specific LGC risk pool are not the same members in each of the three risk pools. If, for example, the members of the HT pool were also the same members as in the WCT pool, it might argued that the distributions from HT and the contributions to WCT benefited the members of each pool equitably. However, the members of each of the Risk Pools are not the same and their interests therefore are not aligned or identical.

LGC defends its practice of inter-pool transfer of cash as necessary to compete in the marketplace against other pool competition. Whatever may or may not be "good" for LGC, it does not necessarily follow that its actions are in the best interest of all pool members and the argument of competitive requirements does not relieve the Board of its fiduciary duties to the Risk Pools individually.

The mere fact that the aforementioned distributions from HT were made, in and of itself, makes the compelling point that excess earning and surplus existed within HT, and the failure to make dividend distributions to the members of HT pursuant to RSA Chapter 5 –B:5 (I)(c) is yet another breach of fiduciary duty .

Cash distributions made from HT and PLT to the Real Estate subsidiary -- primarily in 2008 totaling $3.5 million and the $4.5million non-cash distribution in 2003 for which HT and PLT received no consideration notwithstanding the payment of a substantial rental fee annually -- are further evidence of the Board's breach of fiduciary duty owed to the these two risk pools.

Lastly, on information and belief, LGC has served from time to time as an executive recruiting firm where it has assisted municipalities in finding qualified candidates to fill vacant positions, such as a Town Administrator and other positions, some of whom sit on LGC's Board. Such recruited professionals serving on the Board raises potential concerns with respect to the duty of loyalty to LGC versus the risk pool members who employ them. This conflict of interest may go beyond the notion of simply creating an appearance of a conflict.

- Dividends to Members

  Article V, Section 5.1 "Net Income to Accrue to Members" provides that net income shall accrue to the Members as it is earned. The bylaws further provide that "net income" shall be determined by the Internal Revenue Code of 1986. Section 5.2 provides for the method of allocation to Members of any net income declared by the Board. The two sections provide additional conditions with respect to the declaration of net income and its distribution to members.

  What is noteworthy about this provision of the bylaws is that it only provides for the possible distribution of net income to Members. It is absolutely silent on the obligation imposed under RSA 5-B:5(I)(c) which requires that each risk pool "return all earnings and <u>surplus</u> in excess of any amount required for administration, claims, reserves, and purchase of excess insurance to the participating political subdivisions." (Emphasis added.)

  The bylaws limit the amount of money which could be returned to the Members. Net income is residue of revenues after giving effect to expenses. Surplus relates to the amount of Members' Balance or Net Assets on the balance sheet. On the basis of dollars, net profits generated in any given fiscal year pales in comparison to the amount of money in the surplus account, to wit: In 2009 and 2010, HT's operations resulted in a net loss of $13.2 million after a distribution to LGC of $4.4 million and a net profit of $7.3 million net of $3.9 million distribution, whereas the net assets were $79.5 million and $86.8 million in the year to year comparison. It appears that the bylaws seek to limit the amount which could be distributed to the member political subdivisions, in violation of the relevant RSA.

- Fairness and "Involuntary" Surrender of Economic Entitlement

  Section 4.8(a) of the bylaws provides that if "A Participant [Member] is terminated or withdraws from one or more Trusts (risk pools) [that Member] shall thereupon and at all times thereafter have no right to, or claim on, without limitation, any of the assets, income, distributions (whether past, present or future), reserves or property, whether or not then owned of after acquired, of the Trust from which it is terminated or withdraws." There is an identical provision if a Participant is terminated or withdraws from LGC.

  If a participant/member decides to withdraw from any of the Risk Pools, LGC or New Hampshire Municipal Association ("NHMA"), that Member forfeits any economic benefit it may have otherwise received had the Board timely paid a dividend to the relevant risk pool members arising from excess earnings and surplus. By not returning excess earnings and surplus where distributions could have been made to the members, the "forfeited" amounts serve to increase the Risk Pools' net assets which, among other things, contributes to the overcapitalization of the pools (principally HT), thus further enabling LGC to make inter-pool transfers of cash by taking form the strong and giving it to the weak (WCT).

Members who do not wish to sustain a potential economic impact with respect to contributions made to a risk pool are thus "forced" or "coerced" to remain participants of the Trusts, LGC and NHMA. Contributing to this notion of "perpetual" membership is the two-year "lockout" that is exacted should a participant cancel, terminate or withdraw from HT or is involuntarily terminated for not continuing as a participant in NHMA. Unless waived by the Board, any such member is "locked out" for two full years from the date of cancellation, withdrawal, termination or other cessation of participation in medical benefits coverage.

- Rate credits

  LGC argues that it is making and has made distributions to members with respect to excess earnings and surplus through a mechanism described as a "Rate Credit." LGC amended its bylaws in 2007 to provide that if the Board declares a distribution of net income "[s]uch return may be by means of the rating formula used to establish rates for each such program of coverage, and/or reduction in Contributions due in subsequent Fund Years or Pool Years unless such Member elects otherwise by notice." On the basis of information circulated by LGC and labeled "10-Year History of Surplus Applied as Rate Credits, 2002-2012," the data included in the exhibit for years 2003, 2007, 2008 and 2009 (medical) and for 2008 and 2009 for dental, indicates that LGC as applied $30.2 million as a rate credit against premiums of $1.1 billion for the same periods, representing a 2.72% reduction in what the rates would have been had the crediting feature not been applied. However, notwithstanding these de minimis actions to reduce rates, a rate crediting feature is not transparent nor reliable as to amount or timing and does not satisfy the provisions of RSA Chapter 5-B:5(I)(c) with respect to the return of excess earnings and surplus.

Additionally and historically, the LGC provides premium quotes in two tranches: First, what is called the Guaranteed Maximum Rate or "GMR" which is provides that premium increases will not exceed that quoted as the GMR. Later in time and typically after the municipal budget process is completed, LGC provides the final or actual rate increase which rate will be the applicable rate in the following underwriting year coinciding with the new fiscal year budget. With few exceptions, the actual rate has been lower than the GMR causing the budget to be "artificially inflated" for the difference between the budgeted cost based on the GMR versus the actual cost. This has created a "windfall" in the budget in violation of the NH Municipal Budget law. When I served as a Select Board member for the Town of North Hampton, this issue was recognized and a non-lapsing fund was established and approved by the voters. This fund, the Healthcare Stabilization Account, is used to capture any windfall resulting from the difference between the GMR and the actual rate in a given fiscal year, subject to (i) the amount the Select Board deems prudent to fund the Stabilization Account and (ii) approval by the voters.

- **Lack of transparency and disclosure**

  - The means by which LGC causes its Risk Pools to make distributions aside from the 2003 non-cash distributions, is the so-called "Strategic Plan" adopted by the Board in 2004. The Plan calls for 1% of the members' annual contributions to be paid as a distribution to LGC. Putting aside that the calculation appears to be incorrect (for example, in 2006, HT's member contributions collected totaled $319 million while distributions for that same year were $4.2 million or 1.32%. In 2007, HT's member contributions collected were $329.7 million and distributions $4.5 million or 1.4%. In 2008, HT's member contributions collected were $343 million against distributions made of $6.5 million or 1.9%). Ms. Keeffe, in her affidavit of October 21, 2010 in the matter of Professional Fire Firefighters of New Hampshire v. LGC, states that "[t]hese funds were expenses which the Boards of LGC and HealthTrust deemed to be necessary and important to the continued successful operation of HealthTrust. For example, Strategic Plan funds were used to hire additional marketing staff who increased marketing for all lines of coverage, including HealthTrust." In her affidavit, Ms. Keeffe made numerous references to the Strategic Plan as the basis for and justification of the distributions made from the Risk Pools to LGC. Ms. Emery, in her affidavit of October 21, 2010 in connection with the same matter, refers to "[a] strategic plan that called for roughly one percent of each year's employer contributions for health coverage, and from other lines, to be used to subsidize LGC's workers compensation rates and risk control programs." On the basis of the distributions made by the Risk Pools which are discussed in the Financial section above, Ms. Emery's comment describes the actual purpose of the Strategic Plan, while Ms. Keeffe's description is, at best, misleading. (It is of interest to note in Ms. Keeffe's comment that she refers to the boards of LGC and HealthTrust as if to suggest that two separate boards exist. It also points to the conflict the Board faces when making decision which arguably benefit LGC while competing with the best interests of HealthTrust, as in the case of the "Strategic Plan" among other issues.)

  - In the same affidavit, Ms. Keeffe states that "[F]or 2009, approximately 88% of HealthTrust's $368 million in annual contributions came from political subdivisions which chose to participate. The remaining funds came from individuals purchasing healthcare coverage through their political subdivision which contracted with HealthTrust for the provision of COBRA services and from retirees, through contracting political subdivision members, who may pay individually or through the New Hampshire Retirement System." If 88% is paid for by member political subdivisions, then 12% or $44.2 million is being paid for by individuals. Given that the 1% Strategic Plan is formulated on member contributions, then **only possible**

conclusion is that a portion of individual premium payments for healthcare are being used to fund losses in WCT.

Neither participating political subdivisions nor LGC nor its Board has the authority to transfer individual contributions to subsidize WCT or the Real Estate unit. Absent informed and affirmative consent by the affected individuals, appropriating individuals' share of premium payments may well be illegal and violate various consumer protections accorded under New Hampshire law. Unlike participating Members who contract for healthcare coverage, such Members merely serve as a "pass through" with respect to that portion of premiums which represents an individual's share of the premiums paid.

- It is unlikely that the majority of the Members of the HT pool truly understand that a portion of their Member contributions is being used to subsidize WCT losses and capital contributions to Real Estate. Having served on the North Hampton Select Board during 2008 and 2009 and for three years on the Town's Municipal Budget Committee, I received no disclosure or other informational material that a certain portion of North Hampton's healthcare contributions were being used for WCT subsidies or Real Estate contributions.

- **Defined Benefit Plan**

Given that the timing of the Board's approval and the retirement of Mr. John Andrews, it appears that the Board may have been unnecessarily accommodating. Prior to adoption of a defined benefit pension plan with an effective date of January 1, 2007, employees of LGC were covered by a Section 457 Deferred Compensation Plan administered by ICMA Retirement Corporation. All full-time employees were eligible to participate in the plan and could defer up to 100% of their compensation subject to the maximum federal limits applicable in any given year. This deferred compensation plan cost LGC and the Risk Pools nothing.

Following the adoption by the Board of the defined benefit pension plan, a single employer plan, LGC initially contributed $1,384,000 to the plan to fund the employer portion for past service liability of the plan participants. This funding was increased to $1,834,087 later in the year, followed by employer contributions of $477,136, $541,208 and $531,172 in 2008, 2009 and 2010 respectively. It is a "contributory" plan of sorts because the employees contribute 5% of eligible gross wages with LGC contributing 7.25% of such wages. As of year end 2010, the defined benefit plan was unfunded by $2,393.355.

- **Reinsurance**

Although the practice has been discontinued, LGC previously had reinsurance agreements in place to protect against adverse losses. Initally, LGC purchased a 20% aggregate loss cover and later a $1 million stop loss cover with lower "thresholds" in prior years. I do not have an opinion on whether the termination of such coverages was appropriate. Information would have to be provided and analyzed against loss runs to determine whether some form of reinsurance is economically feasible, preferable, or prudent as a means of protection against adverse loss that might potentially lower the level of reserves and net assets, which have been "bulked-up" to cover adverse losses in lieu of such reinsurance.

IV. Conclusions and Recommendations

1. The LGC Board cannot serve two "masters."

The Board cannot fully discharge its duty of loyalty and due care to both LGC and each of the risk pools. The 1% "Strategic Plan" which provided for distributions from the Risk Pools, primarily HT, to subsidize the continuing losses in WCT is perhaps the most acute demonstration of the tension surrounding the fiduciary duties and the inherent conflict the Board faces.

Recommendations:

- In order to fully and properly discharge the fiduciary duties under law and to meet the requirements set forth under the relevant provision of RSA Chapter B-5, each risk pool must have a fully independent board of directors or trustees. The selection of directors to serve on each board should be by election of the majority of members in each risk pool with the hope that candidates selected will have some insurance, or at least general business, knowledge and experience.
- Each risk pool must have its own bylaws which, among other things, must set forth the capital and reserve requirements, the timing and return of excess earnings and surplus to members, the election of directors/trustees and such other matters to fully comply with RSA Chapter 5-B, other applicable laws and governance.
- To replace the current holding company structure, which should be dissolved in accordance with NH law, and subject to satisfaction of the obligations recommended herein, HT, as the largest risk pool may serve as the employer of record for all employees necessary for the prudent operation of the three risk pools. By way of a service agreement between HT and PLT inclusive of WCT, HT would provide all administrative services needed as well as serve as the contracting party for all

employment benefits. The fee for such services should be at HT's cost and without a margin or "mark up."

- Transition
  Conversion from the current "corporate" structure to three standalone risk pools will take time. Among other things, a new board will need to be elected, new bylaws created, transfer of employees, change in employee benefits, particulars with respect to office space, engagement of an outside auditor and consulting actuary. None of the current board members who are respondents in the Staff Petition filed by the BSR should be eligible to serve. Once reconstituted, the new boards should then select a new executive director with proven experience in insurance and business matters, who would oversee the day to day responsibilities of the three risk pools most likely operating from and through HT.

2. **For the many reasons cited in the findings, HT has been, at least since 2003 and continues to be, overcapitalized measured by net assets and compared with the amount and duration of investments. The balance sheet needs to be "right sized" to better match historical claims exposure.**

   Recommendation:
   - Two new standards must be adopted: A new actuarial methodology for setting reserves as a liability and a new measure of capital adequacy.
     The reserve methodology should follow the custom and practice of major, regulated healthcare insurers in the US. In the context of HT, the liability reserve would primarily reflect incurred but not reported claims ("IBNR") and known but unpaid claims to the extent not provided for as "claims payable" liability on the balance sheet.
     With respect to the measure of capital adequacy, there is no need to create a complicated measure of capital adequacy, but one which is readily understandable by members in the risk pools and non-professionals generally. The recommended measure should set the level of capital as a fixed percentage of the annual amount of claims and claims expense paid, with the level of required capital rising or falling in relationship with changes in paid claims and claims expense. There is merit to following the State's self-insured healthcare fund which sets a capital fund required at 5% of annual paid claims plus claims expense. Because capital serves as a "shock absorber" against adverse claims development, the amount of calculated capital would be in <u>excess</u> of the aforementioned reserve liability.

3. **LGC failed to pay fair consideration to the HT and PLT with respect to distributions paid to LGC in connection with real estate property acquisitions, building improvements and the like. LGC must return all distributions from the Risk Pools to LGC in connection with real estate activity. In addition, there were other non-cash transactions which**

occurred in connection with the 2003 reorganization of LGC and its Risk Pools.

Recommendation:

In order to satisfy amounts taken from the Risk Pools without due consideration, LGC's corporate offices located at 25 Triangle Park Drive, Concord, could be either contributed to the Risk Pools in proportion to the amounts due and owing or sold. The amounts due and owing the Risk Pools are summarized below:

(i) $3,411,085 and $1,064,668 to HT and PLT respectively, relating to their investment in LGC real estate and transferred in 2003 as part of the reorganization of LGC.

(ii) $3,520,000 which LGC distributed to the Real Estate unit in 2008. Allocated on the basis of distributions made by HT, PLT and WCT also in 2008, at 88.96%, 10.3% and .74% of the Real Estate contribution, HT's, PLT's and WCT's shares would be $3,131,392, $362,560 and $26,048 respectively.

(iii) $519,285 representing HT's investment in the WCT and $305,894 in additional non-cash distributions by PLT, net of the investments in LGC noted in (i) above, both such transfers also made as part of the 2003 reorganization.

On the basis of the non-reimbursed transfers in (i) - (iii) above, a total $7,061,762 for the account of HT, $1,733,122 for PLT and $26,048 for WCT is due and owing by LGC to the Risk Pools, for a grand total due and owing by LGC to the Risk Pools of $8,820,932.

4. **The promissory note issued by WCT to HT dated June 2, 2011 is not commercially reasonable. Additionally, the prospects of repayment on the basis of WCT's current financial condition is highly doubtful.**

Recommendation:

The promissory note should be exchanged for a new note in the correct amount of $18,302,000 with a market rate of interest and a scheduled repayment of principal over a reasonable maturity. Because the ability of WCT to repay the note is doubtful, in the event of a sale of the LGC real estate and to the extent that any sale proceeds remain after satisfaction of the obligations set forth in Section 3 immediately above, then the excess should be fully applied to WCT's restated note obligation. There should also be a loan agreement entered into between WCT and HT setting forth the terms of the note, events of default, cure period, remedies and other key terms. Among the remedies to be included should be a provision that if WCT defaults in its repayment of the note or any accrued and unpaid interest, HT should have the right, but not the obligation, to sell, transfer or convey WCT with the proceeds thereof applied to the unpaid note obligation.

5. **The defined benefit plan constitutes an unreasonable and avoidable obligation and is unsustainable in a post-restructuring environment.**

Recommendation:

The plan should be terminated as soon as it is practicable to do so. Although the Notes to the Financial Statements suggests that the defined benefit plan may be amended or terminated or its provisions changed at any time by the Board, the plan's terms and conditions must be examined in light of applicable federal and state law if it is to be terminated. In the event that the Board cannot unilaterally terminate the plan -- and again subject to applicable law -- the plan should be "frozen" and no further contributions made. To the extent of the amount currently funded, such amount could be used to "annuitize" the amount accumulated in the plan for each participant with each such participant receiving an annuity. However, because the plan is underfunded by $2.4 million as of year end 2010, it may be that defeasance of the plan may require full funding with additional contributions from LGC, or if LGC lacks sufficient funds, then proportionately from the Risk Pools which additional funding, if required, would be included in the calculation of the annuity.

6. **Reinsurance – LCC terminated all forms of reinsurance previously in place from time to time. Reinsurance may be warranted to protect against adverse losses and to possibly better manage the level of loss reserves and member capital (net assets).**

Recommendation:

A cost/benefit analysis needs to be conducted on the type and amount of reinsurance which may be considered measuring the benefit of protection against the cost and the collateral benefit, if any, with respect to the level of reserves and capital necessary for the prudent management of claims exposure.

Respectfully submitted,

Michael A. Coutu

Michael A. Coutu

EXHIBIT B

THE STATE OF NEW HAMPSHIRE

DEPARTMENT OF STATE

BUREAU OF SECURITIES REGULATION

* * * * * * * * * *

	*	
IN THE MATTER OF:	*	
	*	
LOCAL GOVERNMENT CENTER,	*	Case No: C-2011-036
INC., ET ALS	*	
	*	

* * * * * * * * * *

DEPOSITION OF MICHAEL A. COUTU

Deposition taken at the law offices of Bernstein, Shur, 670 North Commercial Street, Manchester, New Hampshire, on Friday, March 30, 2012, commencing at 9:00 a.m.

Q. Did you spend any time in the military?

A. I did.

Q. What years?

A. I enlisted in the United States Marine Corps in 1966 for a three year tour of duty which ended in 1969.

Q. I would like to know if you have any professional degrees. Do you have a jurist doctorate?

A. I do not.

Q. An MBA?

A. I do not.

Q. Have you ever qualified for the CPA exam?

A. I have not.

Q. Have you done any actuarial studies of any sort?

A. I have not.

Q. Have you done any work towards any of the underwriting degrees that are available?

A. I have not.

Q. Do you have an M.D.?

A. I do not.

Q. Ph.D?

A. No.

A. Yes, I am aware.

MR. SATURLEY: I'm done. Thank you very much.

FURTHER EXAMINATION

BY MR. RAMSDELL:

Q. In the portion of your report that deals with non-financial findings, at page 15 you make some what you call non-financial findings regarding the defined benefit plan, correct?

A. Correct.

Q. Have you seen the plan?

A. Only to the extent that it was detailed in the financial notes.

Q. So you haven't seen the plan itself?

A. I don't think I have.

Q. And when you say the financial notes, you're talking about, for example, we looked at Exhibit 5, the BerryDunn report. You're talking about the description in the notes to the BerryDunn report, correct?

A. That's correct.

Q. Your findings specifically state that the plan had an effective date of January 1, 2007. That's your understanding, correct?

A. It must have been in the notes of the financial statement.

Q. Can you tell me anything about the genesis of the plan?

A. I can only speak to when it was adopted to what it replaced and some of the economics associated with the new plan.

Q. When it was adopted is the January 1, 2007 date, correct, or that was its effective date anyway?

A. Right.

Q. Can you tell me when the board or any subcommittee of LGC first started considering a defined benefit plan?

A. I do not know.

Q. Can you tell me who was involved in those considerations?

A. I do not know.

Q. Can you tell me how many different iterations there were of the plan before they settled on a final plan?

A. I do not know.

Q. Do you know how many employees the plan

Q. And first you find that the defined benefit plan constitutes an unreasonable obligation. Why is it an unreasonable obligation?

A. The holding company can't pay for it.

Q. What does that mean, the holding company?

A. LGC since its formation has lost money every year. I say every year. In 2003 LGC did not provide an income statement and accordingly, BerryDunn qualified the financial statement for LGC in 2003. I can tell you that from 2004 to 2010 LGC as a standalone entity before giving effect to consolidation lost $7.5 million dollars rounded. That means LGC doesn't have the money to fund the plan if it's losing money, so either, A, further distributions have to be made by the risk pools and presumably a portion to each is having people that are in the plan, or B, some way the risk pools would assume legal responsibility for that retirement plan.

Q. Your second conclusion is that the defined benefit plan constitutes an avoidable obligation. What does that mean?

A. Avoidable?

Q. Yeah.

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A. In the notes to the financial statements they clearly say, and I have suspicions that it is correct, it clearly says that the board of directors can amend, modify, alter and terminate the plan at any time whatsoever. Therefore, it's voidable.

Q. You don't believe that's correct?

A. I said I'm suspect.

Q. Which tells me you don't believe that's correct.

A. Well, I haven't read the plan. We already established that. It sort of smells like an ARISA type qualifying plan, okay? Number two, the financial statement footnote says that it can be a voidable plan, so certainly to me that raises the question that it may not be able to which means that the financial statement is wrong, the audited financial statement.

Q. And if the audited financial statement is wrong on this point, so is your conclusion, correct?

A. Yes. My conclusion was based again on the audited financial statement.

Q. But as you sit here today, you don't actually know whether it's a voidable obligation, do you?

A. No, but because I was suspect, I then offered

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practicable to do so, is that correct?
A. Yes.
Q. Why?
A. Because it takes subsidies from the risk pools to fund it.
Q. And do you have an opinion as to when it would be practicable?
A. Well, I'm not so sure there is a bright line as to when it will be practicable, but I think there is enough ambiguity surrounding this, and my comments I believe at least infer it, that there is some homework that has to be done.
Q. Because you're not sure now that it can be terminated, correct?
A. That's correct, and I believe I contemplated that in my analysis.
Q. And what is that analysis?
A. Well, let me see. I think I said in here in the event that the board cannot unilaterally terminate the plan, so right away I'm saying, you know what, I'm suspect. Then I'm recommending that the plan be frozen and no further contributions be made to it.
Q. And do you know whether that's allowable

under federal or state law?

A. I believe in this whole thing I say subject to having people skillful in this area weigh in on this issue. I have had to terminate plans in the companies that I've taken over, and in the case of the Crum & Forster/Xerox story, what we did was we froze that plan which was a defined benefit plan and once we froze it, based on the inherent values that had been accumulated in the plan, and I believe it was calculated as if it had been fully funded, we then annuitized that benefit and gave each of the plan participants their own annuity contract.

Q. And your opinion here is that if that is allowable and the plan can't simply be terminated, that's what should be done, correct?

A. If it can be terminated.

Q. All I'm trying to establish now is that, as you said, some legal experts would have to take a look at this plan and make the determination whether either termination or, to use your term, annuitization could be done under state and federal law, correct? You're not an expert in offering that opinion, correct?

A. That is correct, but I thought I had said that in writing, didn't I? Yeah, subject to applicable law.

Q. But you're not the right person?

A. No, I'm not that fellow.

Q. That's all I wanted to understand. In arriving at your conclusions in this case, did you examine any other defined benefit plans for your work in this case?

A. Please say that again.

Q. Sure. You made findings in your report about this defined benefit plan and you made conclusions and recommendations about this defined benefit plan, correct?

A. Yes.

Q. And that's based on work that you did in this matter, correct?

A. Well, that coupled with my experience in dealing with such plans and running other companies.

Q. All I'm asking is did you examine other defined benefit plans and compare them to this one for your work in this case.

A. No, I did not other than, as I testified, the information that was codified in the notes of the financial statement about the plan, plan particulars and the funding for that plan. I did not review anything beyond that.

Q. So you didn't look at the State retirement plan?

A. I did not.

Q. You didn't look at Primex retirement plan?

A. I did not.

Q. You didn't look at any other municipality's plans?

A. I did not.

Q. When Mr. Saturley was asking you some questions awhile ago, I think one of the things that you said is in those areas or at least in some of those areas where RSA 5-B neither expressly allows something nor expressly prohibits it, that the board may then use its own reasonable business judgment. Is that fair to say?

MR. VOLINSKY: Objection.

A. That covered a lot of landscape.

Q. I understand.

A. So if it's in the context of one of the questions that was suggested, if it was in the context

<u>EXHIBIT C</u>

MICHAEL A. COUTU
P.O. BOX 125
RYE BEACH, NH 03871

Exhibit A

Employment History

2008-2010
Rockwall Financial Advisors, LLC, North Hampton, NH
Founder, owner and CEO
Provided advice and runoff management services to Kingsway Financial Services, Inc. (Toronto) and Lincoln General Insurance Company (PA) including serving as Chairman of the Board of Lincoln.

2003-2004
Kenning Financial Advisors, LLC, Portsmouth, NH
Founder, owner and CEO
Provided advice and runoff management services to Trenwick Insurance Companies (CT) and Kemper Insurance Companies (IL) including serving as CEO, President and CFO of Kemper and its subsidiaries.

2002-2003
TIG Insurance Holdings, Inc., TIG Insurance Group, TIG Insurance Company, Irving, TX
Wholly owned subsidiaries of Fairfax Financial Holdings Limited – Toronto
Director and Chairman of the Board
Placed the insurance units into a voluntary runoff and developed a runoff plan for the orderly runoff of liabilities approved by the California Department of Insurance and other key states .

1999-2003
RiverStone Group, LLC, RiverStone Resources, LLC, RiverStone Claims Management, LLC, RiverStone Reinsurance Services, LLC, Manchester, NH
Wholly owned subsidiaries of Fairfax Financial Holdings, Limited - Toronto
Manager and CEO of various insurance service companies
Provided runoff management services to certain Fairfax subsidiaries located in the US and UK.

2001-2003
The Resolution Group, Inc., Manchester, NH
Wholly owned subsidiary of Fairfax Financial Holdings Limited, - Toronto
Director and Chairman of the Board
Managed the voluntary runoff of its wholly owned subsidiary, International Insurance Company
TRG is the holding company for International Insurance Company (IL), a former Xerox owned company which was placed in runoff as part of the 1992/1993 Restructuring Plan approved by all 50 Insurance Departments.

MICHAEL A. COUTU
P.O. BOX 125
RYE BEACH, NH 03871

1992-2001
The Resolution Group, Inc., Manchester, NH
Director, Chairman of the Board, CEO and President
(As of 1999, wholly owned subsidiary of Fairfax Financial Holdings Limited – Toronto)
Holding company for International Insurance Company and International Surplus Lines Company, both Illinois domiciled insurers.

2001-2002
International Insurance Company, Manchester, NH
Wholly owned indirect subsidiary of Fairfax Financial Holdings, Limited – Toronto
Director
Voluntary runoff since 1992

2000-2001
International Insurance Company, Manchester, NH
Wholly owned indirect subsidiary of Fairfax Financial Holdings, Limited – Toronto
Director and Chairman of the Board
Voluntary runoff since 1992

1992-2001
International Insurance Company, Chicago, IL
(As of 1999, a wholly owned indirect subsidiary of Fairfax Financial Holdings, Limited – Toronto)
Director, Chairman of the Board, CEO and President
International was the largest voluntary runoff in the US with outstanding claims in excess of $3.5 billion.

1988-1992
Oak Hill Financial Group, Inc. Middletown, NJ
Founder, owner and CEO
As an advisor and consultant, specialized in bankruptcy matters involving a multitude of insurance issues.

1986-1987
Glucksman & Company, New York, NY
Partner
Investment banking firm. Specialized in bankruptcy matters involving insurance issues.

MICHAEL A. COUTU
P.O. BOX 125
RYE BEACH, NH 03871

1985-1986
Fireman's Fund Insurance Company, Novato, California
Senior Vice President
Head of Fireman's Financial Guarantee Division. Also served as Chief Credit Officer for credit sensitive insurance products.

1982-1985
American Express International Banking Corporation
First Vice President
Managed the trade finance, commodity finance and project finance lending group.

1980-1982
Fleet International Bank, New York, NY
Wholly owned subsidiary of Fleet National Bank
Vice President and General Manager of Edge Act Bank
Managed foreign correspondent banking, trade finance and commodity finance

<u>Other</u>

2004-2007 Town of North Hampton Municipal Budget Committee
2008-2009 Town of North Hampton Board of Selectmen
2007-2010 Lead negotiator for Town of North Hampton labor negotiations