

STATE OF NEW HAMPSHIRE  
DEPARTMENT OF STATE

---

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

---

**HEALTHTRUST, INC.'S AND PROPERTY-LIABILITY TRUST, INC.'S  
JOINT SUMMARY OF RELEVANT FACTS**

In accordance with paragraph 4(D) of the Corrected Scheduling Order and Notice of Hearing Regarding Issue of Jurisdiction dated March 13, 2014, and the discussion at the scheduling conference on March 10, 2014, respondents HealthTrust, Inc. (“HealthTrust”) and Property-Liability Trust, Inc. (“PLT”)<sup>1</sup> submit the following summary of relevant facts upon which they expect to rely in the event the Presiding Officer finds he has jurisdiction over this matter and the Motion for Entry of Default Order (“Motion”) filed by the New Hampshire Bureau of Securities Regulation (“BSR”) proceeds to consideration on the merits.

**Preliminary Statement**

This filing provides a summary of the facts upon which HealthTrust and PLT expect to rely in opposing the merits of the Motion. HealthTrust and PLT reserve the right to present additional facts as well as supporting testimony and documents in the event the Motion proceeds past consideration of the jurisdictional issue. The facts concerning matters raised in the Motion continue to unfold, and HealthTrust and PLT also reserve the right to supplement this summary with additional facts concerning developments after the date it is filed. HealthTrust and PLT also reserve the right to present additional facts in response to any presentation of facts or argument by the BSR.

---

<sup>1</sup> HealthTrust and PLT are the present respondents and the operative entities at all times relevant to the Motion.

## Summary of Relevant Facts

1. On August 16, 2012, the Presiding Officer issued the Final Order in this matter. In pertinent part, the Final Order directed that: (1) PLT distribute \$3.1 million to members no later than September 1, 2013; and (2) PLT repay \$17.1 million to HealthTrust no later than December 1, 2013. The then-respondent entities appealed the provision of the Final Order concerning the \$17.1 million repayment, among others, to the New Hampshire Supreme Court.

2. The Final Order directed that the then-respondent entities reorganize with separate boards and bylaws. Final Order ¶ 1. The respondent entities complied with that aspect of the Final Order in November 2012 by having the two LLCs adopt separate bylaws and appoint separate governing boards. BSR attorneys testified that paragraph 1 of the Final Order had been complied with in testimony before the legislative Committee to Review the Hearing Officer's Report with Regard to the New Hampshire Local Government Center on August 21, 2013. On September 1, 2013, as part of a reorganization, the LLCs assigned their respective assets and liabilities to HealthTrust and PLT, each of which had its own set of bylaws and its own board of directors. The propriety of aspects of the reorganization is being litigated before the superior court in New Hampshire Municipal Ass'n, Inc. et al. v. State of New Hampshire Dep't of State et al., No 217-2013-CV-00511 (Merrimack Super. Ct.). HealthTrust and PLT each continue to have an independent board and its own set of bylaws.

3. During the summer of 2013, HealthTrust and PLT discussed certain matters with the BSR, including payments required by the Final Order. That summer, the HealthTrust Board of Directors engaged independent outside counsel to advise it how to best maximize its recovery of PLT's potential \$17.1 million obligation. Similarly, the PLT Board of Directors engaged its own independent outside counsel to advise it concerning the potential \$17.1 million obligation.

4. PLT's financial statements reported net assets of less than the \$17.1 million it was ordered to pay HealthTrust by December 1, 2013.

5. The December 31, 2010 PLT financial statements relied on in the Final Order reported total net assets (assets net of liabilities) of \$10,401,808, a figure that did not account for either the ordered \$3.1 million distribution to PLT members or the ordered \$17.1 million repayment obligation to HealthTrust. Absent the appeal, the effect of the Final Order was to make PLT insolvent by approximately \$9.8 million ( $\$10,401,808 - \$3,100,000 - \$17,100,000 = (\$9,798,192)$ ).<sup>2</sup>

6. PLT's audited December 31, 2011 financial statements reported total net assets of \$11,566,563. This figure did not account for either the \$3.1 million or the \$17.1 million directed to be paid in the Final Order.

7. PLT's June 30, 2013 unaudited financial statements reported total net assets of \$12,150,050. This figure did not account for either the \$3.1 million or the \$17.1 million directed to be paid in the Final Order.

8. Based on the available financial statements, in the summer of 2013, PLT did not possess the assets to make a \$17.1 million payment. The discussions with the BSR during the summer of 2013 did not produce any resolution of this or other issues. In August 2013, the BSR provided HealthTrust and PLT with a proposed Memorandum of Understanding under which an individual chosen by the Secretary of State ("Secretary"), Michael A. Coutu, would be given "full authority" to implement paragraphs 7-15, 17 and 18 of the Final Order and "[t]he Directors of each of the Risk Pools will not exercise dominion, authority or control over Coutu's role or duties in connection with the implementation of the [Final Order]."

---

<sup>2</sup> The Final Order implicitly accepted the adequacy of PLT's reserves for incurred liabilities as of December 31, 2010 in finding that PLT had \$3.1 million of excess assets (the assets over liabilities before the ordered \$17.1 million payment to HealthTrust which had not been accrued in the PLT financial statements). See Final Order ¶ 11.

9. Based on the available financial statements, in the summer of 2013, HealthTrust recognized that PLT lacked the assets to make a \$17.1 million payment. Acting to protect its then-contingent claim against PLT, HealthTrust demanded that PLT not make the \$3.1 million distribution to members unless it first made adequate provision to pay the \$17.1 million. When PLT declined, HealthTrust asked the Secretary to cause PLT to delay the distribution of the \$3.1 million. The BSR refused by letter dated August 30, 2013, stating: “This office will not instruct [PLT] to delay distribution of the funds as requested by the HealthTrust board.”

10. On August 30, 2013, and over the objection of HealthTrust, PLT distributed the \$3.1 million to members as directed in the Final Order.

11. PLT’s August 31, 2013 unaudited financial statements – which reflected PLT’s August 2013 payment of the \$3.1 million to PLT members but did not include the \$17.1 million obligation which was on appeal – reported total net assets of \$12,205,163. The August 31, 2013 PLT financial statements reported that PLT could not pay HealthTrust and also meet its coverage obligations to members and claimants. Based on those financial statements, if the New Hampshire Supreme Court affirmed the \$17.1 million obligation, PLT would be rendered insolvent by approximately \$4.9 million ( $\$12,205,163 - \$17,100,000 = (\$4,894,837)$ ).

12. The Final Order suggested at ¶ 13 that PLT borrow the money to pay HealthTrust. As described in the Affidavit of George Bald (Supreme Court No. 2012-729, filed October 7, 2013), when PLT sought to do so, no lenders indicated a willingness to extend a loan to provide cash for PLT to pay HealthTrust. By letter dated May 10, 2013, RBS Citizens, N.A., denied PLT’s request for a credit facility as part of a plan to repay the \$17.1 million to HealthTrust.

13. On October 7, 2013, PLT, with HealthTrust’s assent, moved that the Supreme Court stay the \$17.1 million payment obligation while the appeal was pending. The BSR

disagreed with and sought to defer consideration of the request for stay. The Supreme Court granted the stay on October 23, 2013.

14. PLT's September 30, 2013 unaudited financial statements reported total net assets of \$12,521,434. Based on those financial statements, if the New Hampshire Supreme Court affirmed the \$17.1 million obligation, PLT would be rendered insolvent by approximately \$4.6 million ( $\$12,521,431 - \$17,100,000 = (\$4,578,566)$ ).

15. PLT's independent consulting actuaries, the national actuarial consulting firm Towers Watson, performed rate level and experience modifier analyses concerning PLT's 2013/2014 property-liability, workers' compensation and unemployment compensation coverages. Based on the Towers Watson indications, the rates and experience modifiers included in PLT offers made in the fall of 2014 were priced at or above break-even.

16. In the early fall of 2013, PLT's financial statements showed that it would be insolvent if the Supreme Court affirmed the \$17.1 million PLT payment obligation, and that PLT could not meet its coverage obligations and pay HealthTrust. This reality placed the PLT Board of Directors in an untenable position because, in the event of insolvency, they would owe duties to all of PLT's creditors, not all of whom could be paid. The PLT insolvency, absent some form of advance agreement with a creditor or creditors, would require a filing for protection under the Bankruptcy Code or, possibly, some form of equity receivership because any subsequent payments would prefer those receiving the payments. (There is no precedent for a state receivership of an insolvent pooled risk management program.)

17. In a bankruptcy, PLT's payments to coverage claimants and others would be interrupted. There is no priority in bankruptcy for claimants under the PLT coverage agreements. PLT's Board of Directors, therefore, faced the prospect that coverage claimants

(other than workers' compensation claimants whose claims were secured by a special deposit set at 120% of reserves for incurred but unpaid losses with the New Hampshire Department of Labor), HealthTrust, and any other general creditors, would not receive full payment, and the payments to all would be delayed.

18. PLT's potential insolvency and bankruptcy or receivership proceeding also placed HealthTrust in a difficult position. Any payment to HealthTrust on the \$17.1 million PLT obligation would be partial and would only follow a potentially lengthy period of time necessary to obtain court approval as part of an insolvency proceeding. A PLT bankruptcy proceeding would entail significant expense, both for the proceeding itself and for administering coverage claims, which would reduce the assets available to pay PLT creditors, including HealthTrust. Further, PLT's failure to timely make payment on its coverage obligations to claimants against its members (who in most instances are also HealthTrust members) would harm those members, and inflict reputational damage on HealthTrust.

19. If HealthTrust and PLT did not anticipate and address the consequences of a potential Supreme Court decision affirming the PLT \$17.1 million payment obligation under the Final Order, and such a decision issued, then PLT could be thereby rendered insolvent and consequently could be precluded from negotiating with its creditors outside of a bankruptcy or other proceeding. In that case, (1) PLT would not be able to pay HealthTrust in full, (2) any PLT payment to HealthTrust would be significantly delayed, (3) PLT's assets would be depleted by the expenses of the bankruptcy or receivership proceeding, (4) PLT's payments to coverage claimants would be interrupted, (5) the New Hampshire Department of Labor would need to act to liquidate the deposit and arrange for payment of workers' compensation claims, and (6) PLT's other coverage obligations would not be paid in full. Additionally, HealthTrust would be

competing with such PLT claimants for recovery from PLT's bankruptcy/receivership estate, and HealthTrust's members who are also members of PLT would be harmed, as would HealthTrust's reputation.

20. In these circumstances, HealthTrust and its outside counsel negotiated a Settlement Agreement ("Agreement") with PLT to avoid those adverse consequences from affirmance of the portion of the Final Order directing the \$17.1 million payment. The Agreement was expressly conditional, and it was only to become operational if the Supreme Court affirmed the payment provision or a modified obligation that remained in excess of PLT's ability to pay, without precluding PLT from paying its coverage obligations in full. Agreement ¶ C.3.

21. On September 20, 2013, the HealthTrust Board of Directors met with PLT's representatives and PLT's outside counsel as well as with HealthTrust's own outside counsel. The outline of a settlement structure was discussed, and the HealthTrust Board instructed its outside counsel to explore the possibility of a conditional settlement including an assignment of all PLT's assets to HealthTrust in satisfaction of PLT's obligations pursuant to the Final Order, and to report back on the possibility prior to the October 17, 2013 Board meeting.

22. On September 24, 2013, the PLT Board of Directors met with HealthTrust's representatives and outside counsel, as well as with PLT's own counsel. The outline of a settlement structure was discussed, and the PLT Board instructed its counsel to explore the possibility of a conditional settlement.

23. Outside counsel then attempted to negotiate a settlement agreement on those terms, and provided the draft agreement to the HealthTrust Board on October 10, 2013 and the PLT Board on October 15, 2013. Based on comments from the HealthTrust Board, the draft

agreement was modified. The HealthTrust Board further discussed the proposed settlement agreement on October 17, 2013. Pursuant to the Board's request, on October 25, 2013, outside counsel provided written advice to the members of the HealthTrust Board concerning the latest draft of the settlement agreement.

24. The proposed Agreement was presented to the HealthTrust Board of Directors. The HealthTrust Board heard from staff and HealthTrust's counsel and discussed the proposed Agreement at the board meeting on October 28, 2013. The HealthTrust Board considered PLT's financial condition and concluded that forcing PLT to default in its coverage obligations and file for bankruptcy would not be in the interest of HealthTrust or its members because of the additional administration costs and delay in realizing on PLT's available assets that would result from bankruptcy. Agreement ¶ A.11(d). Since, pursuant to the Agreement, it would administer the runoff of PLT's coverage obligations, HealthTrust would have the ability to monitor the administration expense and see that the runoff is handled effectively and efficiently. A bankruptcy or receivership would entail greater administration costs that would not be subject to HealthTrust's control.

25. The HealthTrust Board also considered that: (1) the insolvency of PLT (and resulting hardship for PLT members) would cause reputational harm to HealthTrust because of the two entities' long association in the marketplace and because more than half of HealthTrust members are also PLT members; and (2) because the \$17.1 million obligation to HealthTrust would be the cause of PLT's insolvency – HealthTrust might wrongfully be viewed as being responsible for the hardships imposed on PLT members and claimants, which could substantially erode HealthTrust's goodwill and damage its business. Agreement ¶ A.10. HealthTrust agreed to give priority to the coverage claims of PLT members, which places PLT claimants in a better



position than they would have had in bankruptcy. The priority was warranted in light of the benefit to HealthTrust of administering the runoff and the danger to HealthTrust's own business of causing a default in the payment of PLT claims. Because the Agreement provides that the operational and financial results for the PLT runoff will be tracked and reported separately, Agreement ¶ E.2, HealthTrust has the ability to monitor the status of the runoff of PLT's coverage obligations and to determine the availability of the transferred PLT assets for distribution to HealthTrust members.

26. The HealthTrust Board concluded that HealthTrust's realization on the \$17.1 million potential PLT obligation would be maximized by accepting an assignment of PLT's assets and liabilities, agreeing to handle the claims of PLT coverage claimants, and agreeing that those claimants would be the first paid from PLT assets. The HealthTrust Board voted to approve the Agreement at its October 28, 2013 meeting.

27. The proposed Agreement was presented to the PLT Board of Directors, who discussed it at the board meeting on October 29, 2013. The PLT Board of Directors, after consulting with PLT's financial and operational staff, as well as legal counsel, recognized that if PLT had to repay the full \$17.1 million, it would render PLT insolvent. That unfortunate outcome could lead to bankruptcy or similar receivership proceedings, which would result in the payment of only part of PLT's coverage obligations, thus causing severe hardship to PLT members and claimants.

28. The PLT Board has a fiduciary obligation to its members. The PLT Board, therefore, recognized and determined that it was in the best interests of PLT members and claimants to take precautionary and preliminary measures, and reach a contingent agreement in

advance with HealthTrust as to how PLT would satisfy the \$17.1 million repayment obligation (or a modified amount, but still in excess of PLT's ability to pay).

29. As provided at Paragraph D.3 of the Agreement, PLT took proactive steps to protect its members and claimants by including in the Agreement a requirement that HealthTrust "give priority to the payment of PLT's coverage obligations to claimants and otherwise covered persons." These assurances provide PLT members and claimants with certainty and stability in knowing that their claims will be covered, in contrast with the uncertainty created by a potential bankruptcy or receivership proceeding.

30. In addition, as set forth at Paragraph F.2.f of the Agreement, PLT took proactive steps to ensure that, for any policies written or renewed prior to the date the Agreement became operational, "HealthTrust agree[d] to honor the rate structures offered by PLT for business so written or renewed . . . for fiscal years 2015 and 2016." Once again, this provides PLT members and claimants with assurances that HealthTrust will honor the rates that were offered to the PLT members and allow for an orderly runoff. With all of these equitable considerations in mind, the PLT Board voted to approve the Agreement at its meeting on October 29, 2013.

31. In the Agreement, PLT and HealthTrust agreed that if it became operational, PLT would transfer all of its assets and liabilities to HealthTrust (Agreement ¶ D.1); HealthTrust would accept the assignment of all of PLT's assets and liabilities in full satisfaction of PLT's obligations under the Final Order, including the repayment provision (¶ D.2); HealthTrust would manage the runoff of PLT's coverage obligations, using the assets transferred from PLT and the existing administrative structure (¶ D.3); and any transferred assets remaining after the satisfaction of PLT's coverage obligations would be the sole property of HealthTrust (¶ D.5).

32. The Agreement also contains provisions concerning the runoff of PLT's coverage obligations. HealthTrust agreed to initially hire the PLT employees until it determined the best staffing option for on-going operations. Agreement ¶ E.1. The Agreement expressly provides that HealthTrust would track and report (in its financial statements) the operating and financial results for its health coverages and the PLT runoff separately; that the provisions of the Final Order would apply separately to the health coverage pool and the PLT runoff; and that claim payments for the PLT runoff would not be included in any calculations of surplus to be retained by HealthTrust. Agreement ¶ E.2.

33. The Agreement became operational on January 10, 2014, when the Supreme Court issued its decision that, among other things, affirmed the \$17.1 million repayment obligation.

34. 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. When HealthTrust, PLT and their respective counsel arrived to meet with the BSR on February 4, they found third parties were in attendance, who were recording the meeting. At the meeting, the BSR asked few questions and did not voice any views on the Agreement. HealthTrust repeatedly offered to respond to questions and expressed a willingness to discuss any BSR comments on the Agreement. The BSR did not contact either HealthTrust or PLT before filing the instant Motion for Entry of Default Order on February 7, 2014.

35. The BSR only contacted HealthTrust and PLT by letter on February 11, 2014 – four days after filing the motion. The letter only requested information, and it sought a response by February 17, 2014. By letter on February 14, 2014, HealthTrust requested more time to respond and reiterated its willingness “to work with the BSR to address any concerns the BSR

might have concerning the Agreement or its implementation.” The letter concluded 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.” The BSR has not responded to that request.

36. HealthTrust and PLT responded to the February 11, 2014 information request with a letter and documentation on February 28, 2014. The letter concluded by requesting a meeting with the BSR to discuss the status of the PLT lines of coverage and the options available to operate those lines and maximize the return of the \$17.1 million to HealthTrust. The BSR has not responded to that request.

37. On February 19, 2014, PLT wrote to the BSR and the New Hampshire Department of Labor (“DOL”) requesting “the opportunity to meet with the DOL and the [BSR] 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.” While the DOL was willing to meet, BSR refused. On February 27, 2014, the DOL sent a letter to the BSR suggesting that “it would seem prudent to have a meeting soon involving the regulators who must each deal with PLT’s and HealthTrust’s oversight.” The BSR remained unwilling to meet.

38. The BSR has never offered any comments on the Agreement to either HealthTrust or PLT.

39. The effect of the Agreement is that PLT has transferred all of its assets (subject to its liabilities) to HealthTrust in satisfaction of the \$17.1 million obligation. The Agreement honors that \$17.1 million obligation and seeks to collect on it to the greatest possible extent. PLT could not pay more than it has, and under the Agreement HealthTrust obtained everything that PLT had. The Agreement provides for HealthTrust to administer the runoff of PLT’s

coverage obligations, which allows HealthTrust to see that the runoff is conducted efficiently and at cost, to permit the maximum return to HealthTrust on its claim, and to determine when transferred assets should be distributed to HealthTrust members.

40. PLT's financial statements as of August 31, 2013, reported PLT net assets of \$12.2 million. Accordingly, subject to the costs of administering the runoff of PLT's coverage obligations at a level equal to or less than the reserves established for that purpose, HealthTrust could reasonably anticipate that it would ultimately realize approximately the net asset amount of \$12.2 million based on the August 31, 2013 financial statements. (This estimate has improved over time as described below.)

41. PLT's reserves for incurred coverage obligations were reviewed by its independent consulting actuary, the national actuarial firm of Towers Watson. The reserves reported in the PLT August 31, 2013 financial statements were based on Towers Watson's analyses of the reserves for workers' compensation, property-liability and unemployment coverages as of December 31, 2012. (Those Towers Watson final reports were dated March 21 and 22, 2013.) The reserves carried in the August 31, 2013 financial statements reflected the December 31, 2012 actuarial central estimates provided by Towers Watson as updated by PLT.

42. PLT's September 30, 2013 financial statements reported net assets of \$12.5 million. PLT's October 31, 2013 financial statements reported net assets of \$12.7 million. The November 30, 2013 financial statements reported net assets of \$12.5 million. These were the PLT financial statements available before the January 10, 2014 operational date of the Agreement.

43. Towers Watson prepared updated analyses of PLT's workers' compensation, property-liability and unemployment coverages as of August 31, 2013 for PLT. (Towers

Watson's final reports on these updates were dated November 26 and December 9, 2013.) The reports reduced Towers Watson's selected incurred loss, loss adjustment, and workers compensation assessment estimates by a total of \$3.3 million from the estimates as of December 31, 2012 underlying the August 31, 2013 financial statements. Normally, Towers Watson would review PLT's incurred loss estimates once a year. It was asked to accelerate its review for 2013 and use the period ending August 31, 2013.

44. Pro forma PLT financial statements as of December 31, 2013 incorporated the updated reserve estimates from Towers Watson. (Those financial statements were prepared after January 10, 2014.) Those financial statements show total net assets of \$15,813,101.

45. Since January 10, 2014, HealthTrust has analyzed the PLT transferred assets and liabilities and obtained updated (through January 10, 2014) incurred loss analyses from Towers Watson. The results of this analysis were provided to the HealthTrust Board on the morning of March 4, 2014 and to the PLT Board on that same afternoon. It appears that HealthTrust may ultimately realize the full \$17.1 million amount from the assets of PLT as described below.

46. In January 2014, HealthTrust asked Towers Watson to update its estimates of the incurred obligations for the PLT workers' compensation, property-liability, and unemployment coverage lines as of January 10, 2014, the date the Agreement became operational. Towers Watson provided its draft analyses of those obligations on February 20 and 26, 2014. Those draft reports reduce Towers Watson's actuarial central estimates by a total of \$1.4 million from the total of the central estimates from the reports as of August 31, 2013 (the estimates carried in the December 31, 2013 pro forma financial statements). Towers Watson provided final reports on March 10, 2014.

47. In accordance with the Agreement, HealthTrust has tracked and reported the operational and financial results of the runoff of PLT coverage lines separately.

48. In late February 2014, HealthTrust prepared a pro forma financial statement of assets and liabilities for the runoff of PLT's coverage lines as of January 31, 2014 using the draft Towers Watson updated estimates. The pro forma statement showed total net assets of \$18,119,988. The pro forma indicated that there could be a positive net amount of \$1,019,988 after the runoff of the PLT coverage obligations and payment of the full \$17.1 million obligation to HealthTrust ( $\$18,119,988 - \$17,100,000 = \$1,019,988$ ).

49. That \$1 million in potential ultimate net assets is significantly less than the 90% confidence level margin of \$4,402,000 calculated by Towers Watson as of January 10, 2014. (Confidence level estimates are measures of the risk margin from the actuary's central estimate.) As noted in PLT's April 4, 2013 letter to the BSR requesting the BSR's approval of its method of determining required net assets, PLT historically reflected a 90% confidence level margin in its net assets as reported in its financial statements. The BSR never responded to that request. The \$1,019,988 net position corresponds to a confidence level margin of 63% as calculated by Towers Watson.

50. HealthTrust continues to exist. It has a board of directors and by-laws. PLT continues to exist. It has a board of directors and by-laws.

51. The PLT Board of Directors determined to offer the PLT coverage lines (property-liability, workers' compensation, and unemployment compensation) to PLT members. The PLT Board set the rates applicable to those coverage lines being offered to the PLT members, consistent with offers being made on terms consistent the terms set forth in PLT's existing coverage documents. The PLT Board thus made the decisions concerning how to offer

the coverage lines to PLT members and the structure of those coverage lines. In approving the Agreement, the PLT Board approved the transfer of the obligations it had established for the PLT members to HealthTrust.

52. The PLT Board of Directors still exists to monitor compliance with the Agreement by HealthTrust.

53. Since January 10, 2014, HealthTrust has provided the PLT Board of Directors with information concerning the runoff of the PLT coverage lines, including the pro forma January 31, 2014 financial statement for the PLT runoff and the Towers Watson analyses as of January 10, 2014. The PLT Board of Directors met to discuss the runoff and those materials on March 4, 2014.

54. The loss development for all three PLT coverage lines (workers' compensation, property-liability, and unemployment compensation) has been favorable over the past several years. Towers Watson's total ultimate loss, allocated loss adjustment expense, and assessment estimates for the three coverage lines dropped from December 2009 to December 2010 (by \$0.8 million), from December 2010 to December 2011 (by \$2.7 million), from December 2011 to December 2012 (by \$5.4 million), from December 2012 to August 2013 (by \$3.3 million) and from August 2013 to January 2014 (by \$1.4 million). This history provides a high degree of confidence that the PLT coverage liabilities transferred to HealthTrust pursuant to the Agreement present no effective financial risk to HealthTrust or its members.

55. PLT's Board of Directors heard from HealthTrust staff, PLT's counsel, and Towers Watson concerning the updated information at its March 4, 2014 meeting. Noting that the PLT risk management pool program had historically maintained a 90% confidence level margin and that the approximately \$1 million in potential ultimate net assets (after satisfaction of



all obligations including the \$17.1 million payable to HealthTrust) was significantly below that level, the PLT Board concluded that it was not in the interest of PLT members to seek to terminate or rescind the Agreement. The PLT Board concluded that PLT could not operate as a viable pooled risk management program with such thin potential net assets.

56. The HealthTrust Board of Directors heard from HealthTrust staff and HealthTrust's counsel concerning the latest information about the PLT coverage lines runoff again at its meeting on April 1, 2014. At that meeting, the HealthTrust Board voted to approve a distribution of \$13.9 million by HealthTrust from the assets transferred by PLT as soon as possible after June 30, 2014, proportionally to the then existing HealthTrust members with medical and dental coverage, based on their share of contributions made to each of the medical and dental lines during the current fiscal year, subject to the advance approval or expressed non-objection of the Secretary. The HealthTrust Board decided to authorize the \$13.9 million distribution after giving consideration to: (1) the Towers Watson reports as of August 31, 2013 and January 10, 2014; (2) the PLT Board's practice of maintaining a 90% confidence level margin; and (3) the significant changes in estimates of PLT coverage line incurred obligations that have taken place over the past several months. With the advice of independent actuarial consultants, HealthTrust will reassess the level of needed reserves for the PLT coverage lines runoff as of August 31, 2014, and the HealthTrust Board will make decisions concerning further distributions.

Respectfully submitted,

HEALTHTRUST, INC.

By Its Attorneys,

Dated: April 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  
mramsdel@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

PROPERTY-LIABILITY TRUST, INC.

By its attorneys,

MCLANE, GRAF, RAULERSON &  
MIDDLETON PROFESSIONAL ASSOCIATION

Dated: April 4, 2014

/s/ Bruce W. Felmly  
Bruce W. Felmly, NH Bar #787  
Joel T. Emlen, NH Bar #17102  
900 Elm Street  
Manchester, New Hampshire 03105  
Telephone (603) 625-6464  
bruce.felmly@mclane.com  
joel.emlen@mclane.com

**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