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May 16, 2017

Via Electronic Filing/Serve by ECF

Hon. Carol R. Edmead
60 Centre Street, Room 532
New York, New York 10007

Re: In the Matter of the Liquidation of Health Republic Insurance of New York, Inc.
Index No. 450500/2016
Order to Show Cause Returnable on May 17, 2017 at 10:00 A.M.

Dear Justice Edmead:

I respectfully request that the following matters be addressed tomorrow in conjunction with the Liquidator's application to: (1) appoint referees to resolve any disputed Health Republic claims/explanations of benefits (EOBs); and (2) hire yet another company, Medical Experts Consulting Services Inc., to provide "as-needed" medical review services in connection with the EOBs.

As a follow up to the expense review proceeding conducted on May 8, 2017, I respectfully urge that the Court address the following:

1. Update (Unaudited) balance sheet. At the Court's direction, the Liquidator posted on Health Republic's website an unaudited balance sheet showing the estate with \$99 million in assets as of September 30, 2016. A few weeks ago, the Liquidator posted an audited "Statutory Basis Financial Statement" prepared as of December 31, 2015 that shows Health Republic with "total admitted assets of \$118 million.

But on May 8th, the Bureau's Chief Financial Officer, Mr. Labenski, stated that the estate has but \$43 million in assets. I request that the Bureau update the Health Republic website with a balance sheet that shows that the estate has, at best, \$43 million with which to pay any approved EOBs/claims. I also respectfully ask the Court to direct the Liquidator to explain why

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the estate's current assets have fallen from \$118 million to \$99 million to \$43 million in about a year and a half.

2. Weil Legal Fees. On May 8th, the Court advised that Weil, Gotshal & Manges had been paid \$1,298,503 in legal expenses during the first ten months of Health Republic's liquidation, but that these legal fees were still under review. The Bureau informed the Court that Weil had been discharged and a new outside law firm hired. I ask that the Court address where matters stand with Weil's fees.

3. New Counsel. The Bureau advised the Court that the Liquidator had hired new outside legal counsel, Clarick, Gueron, and Reisbaum, a firm formed in 2010 by former Assistants at the U.S. Attorney's office for the Southern District of New York and lawyers on the executive staff of the New York State Attorney General. Will the Court and public see this new firm's proposed retainer agreement before it is executed?

4. Suing the Federal Government. The Liquidator, Superintendent Maria T. Vullo, told legislators in Albany in February that she is "sitting on a complaint" (her words) against the federal government to collect about \$400 million in loss corridor payments due the Health Republic estate. The Superintendent also advised that the federal government has claims against the Health Republic estate for solvency and start up loans.

The Superintendent also stated in her written remarks that "payments to claimants cannot be made until the[se] dueling claims with the federal government resolved." Policyholders need to have some idea where the Liquidator stands with these "dueling claims" because no policyholder will be paid a cent until the Liquidator's differences with the Department of Health and Human Services are resolved.

5. Moratorium. Given the amount of money being spent on building an elaborate claims adjudication system for Health Republic's unpaid claims, I urge that the process of adjudicating these claims be stayed until policyholders have some idea whether there will be any funds with which to pay their claims.

A short delay until policyholders know whether it's worth their while participating in the claims adjudication is in order. If there's nothing or very little to pay out, let's tell policyholders so that they can make an informed judgment as to whether they should devote time and energy to pursuing claims that may be worth nothing or pennies on the dollar.

6. Clarification. This Court ruled that no anti-assignment provisions contained in Health Republic policies would bar paying health providers, "where appropriate." Inasmuch as the status of health providers as Class 2, rather than Class 6, creditors under NYIL 7434 has not been briefed or argued, I respectfully urge that this issue be placed aside to be decided *if* it's determined that the estate has sufficient assets to pay approved claims.

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7. Audited 2016 statement. I respectfully urge the Court to direct the Liquidator to advise the Court and policyholders when Eisner & Amper will release its audited 2016 financial statement for Health Republic.

8. Transcripts. The transcript for the May 8th proceeding has not been posted. I ask that the Court direct that the transcripts of tomorrow's proceeding and all future Health Republic conferences and proceedings be prepared on an expedited basis.

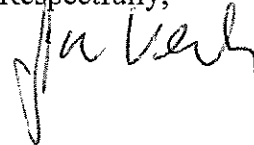
9. Policyholder Committee. I respectfully ask that the Court again consider directing the Liquidator to form a committee of Health Republic policyholders to participate in these proceedings. The Liquidator has built an elaborate claims adjudication structure that will now be crowned with referees and a medical expense advisory firm, all without, to my knowledge, any policyholder input.

Creditors committees are standard and key components of U.S. Bankruptcy Court practice. Policyholder or cedants' committees have also been employed to great effect in insurance company insolvencies in the many states, including New York. I urge the Court to direct the Liquidator to form such a committee to participate in the liquidation.

I commend the Court for providing an unprecedented amount of information in this liquidation proceeding, particularly since information about an insolvent insurance company's proceedings cannot be obtained through the New York Freedom of Information Law. Now that we have some of this information posted and available, let a committee consisting of former Health Republic policyholders analyze and act on this information .

Again, I thank the Court for allowing me to write to the Court with respect to Health Republic's liquidation and for providing the public with access to these proceedings and the expenses and other records now available online.

Respectfully,



cc: David Axinn, Esq.
Timothy Butler, Esq.
David Young, Esq.
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Lauren M. Reber, Esq.
Elliot Kirshnitz, Esq.

Senator James L. Seward (via e-mail to assistant)
Senator Kemp Hannon (via e-mail to assistant)