

**Condensed Remarks for the Hearing on the Matter and Application of Maria T. Vullo,
Acting Superintendent of Financial Services of the State of New York, for an Order to
Take Possession of the Property of and Liquidate the Business and Affairs of
HEALTH REPUBLIC INSURANCE OF NEW YORK, CORP.**

On May 11, 2016, the Supreme Court for the State of New York, New York County (the “**Court**”), entered an order (the “**Liquidation Order**”) appointing Maria T. Vullo, Acting Superintendent of Financial Services of the State of New York, as liquidator (“**Liquidator**”) of Health Republic Insurance of New York, Corp. (“**Health Republic**”) and authorizing the Liquidator to take possession and control of Health Republic’s property for the purpose of liquidating Health Republic’s business in accordance with Article 74 of the New York Insurance Law (the “**Liquidation Proceeding**”).

The Liquidator’s main goal is to establish an orderly and efficient process for collecting and distributing Health Republic’s remaining assets to claimants. There are two components of this process that must be substantially complete before the Liquidator will be in a position to begin making distributions to claimants: (i) identifying and collecting Health Republic’s remaining assets, and (ii) collecting, reviewing, and adjudicating claims against Health Republic.

A. Identifying and Collecting Remaining Assets of Health Republic

The Liquidator will identify and attempt to marshal all assets of Health Republic’s estate. The process of marshalling assets will continue throughout the Liquidation Proceeding. Periodic reports will be prepared and submitted to the Court to apprise the Court of the Liquidator’s progress.

B. Collecting, Reviewing, and Adjudicating Claims Against Health Republic

In addition, the Liquidator will collect, review, and adjudicate claims against Health Republic. Over the past few months, Health Republic’s Chief Restructuring Officer and

its management team have been evaluating the processes Health Republic already has in place to collect, review, and adjudicate claims against Health Republic. The Liquidator does not intend at this time to impose on former members of Health Republic and health care providers any additional claims submission requirements beyond those to which they already are subject under the terms of their existing insurance policies and contracts.

1. *Submission of Policy Claims*

The vast majority of claims filed against Health Republic are claims for payment under Health Republic's insurance policies in connection with health care services provided by health care providers to Health Republic members (collectively, the "**Policy Claims**") before coverage ceased on November 30, 2015. When a member saw a health care provider in the Health Republic network, the provider was responsible for submitting their Policy Claim to POMCO, a third party claim administrator of Health Republic. When a member saw a health care provider outside of the Health Republic network, the member was responsible for submitting the Policy Claim to POMCO. Under the terms of their contracts and policies, March 31, 2016 was the outside date by which all Policy Claims of a provider or member were to have been submitted to POMCO. Accordingly, the Liquidation Order does not extend those deadlines but instead directs providers to submit Policy Claims in accordance with the existing deadlines and procedures set forth in the contracts that governed their provision of services to Health Republic members. Similarly, the Liquidation Order directs members to submit Policy Claims for out-of-network services in accordance with the existing procedures and deadlines set forth in their insurance policies.

The foregoing processes cover most, if not all, of the Policy Claims that may be submitted against Health Republic. However, the Liquidator is still in the process of determining whether any members may have claims under Health Republic insurance policies that are *not*

related to out-of-network services and, therefore, would not be captured by the POMCO claims submission procedures described above (collectively, “**Other Policy Claims**”). If the Liquidator determines that it is necessary to establish a process for members to submit Other Policy Claims, she will seek relief from the Court as and when appropriate. Accordingly, a deadline for the submission of Other Policy Claims has not yet been established.

2. *Submission of Other Claims*

Based on the information currently available to the Liquidator, she has determined that it is highly unlikely that Health Republic will have sufficient assets to satisfy any claims against it other than: (1) claims for administrative expenses (“**Administrative Expenses**”), which constitute the actual and necessary expenses incurred by the Liquidator in the administration of the Liquidation Proceeding; and (2) a portion of the Policy Claims described above. Accordingly, the Liquidator has determined that it would be a waste of estate resources to establish a submission or adjudication process for claims other than Policy Claims at this time.

3. *Review, Appeal, and Adjudication of Policy Claims*

Hundreds of thousands of Policy Claims against Health Republic have been submitted to POMCO. The first step in the claims review process will be an independent audit of the current Policy Claims inventory. The audit is conducted to, among other things, assess the accuracy and scope of Policy Claims submitted against Health Republic. Based on the audit, an explanation of benefits (an “**EOB**”) will be issued for each Policy Claim to both the applicable provider and the member, indicating which portion of the services is covered by Health Republic, and which portion is the member’s responsibility.

The Liquidator plans to file a motion with the Court seeking approval of procedures for reviewing and adjudicating Policy Claims (the “**Proposed Policy Claims Procedures**”). The Proposed Policy Claims Procedures will seek to preserve, to the maximum

extent practicable, the contractual claims submission and resolution processes for providers and members while facilitating the orderly and efficient resolution of Policy Claims. The Liquidator expects that Health Republic will be in a position to begin issuing EOBs based on audit results after the Court has entered an order approving the Liquidator's Proposed Policy Claims Procedures.

C. Timing and Other Considerations

Based on the processes described above, the Liquidator likely will not have a clear picture of the amount of Health Republic's assets that will be available for distribution, or the amount of Policy Claims that will be allowed against Health Republic's estate, until at least 2017. The Liquidator intends to run the Liquidation Proceeding as efficiently as possible and to take steps to maximize the amount of assets available to Health Republic. The injunctive relief in the Proposed Liquidation Order is designed to protect and preserve Health Republic's estate for the duration of the Liquidation Proceeding, and is necessary to enable the Liquidator to fulfill her statutory mandate to liquidate Health Republic's business.