

June 1, 2010

Honorable William Gardner
Secretary of State
State House
Concord, NH 03301

Dear Mr. Secretary:

During a recent meeting on RSA 5-B Pooled Risk management programs before the House Commerce Committee, I asked you if all 5-B programs were being investigated and you replied that only the Local Government Center (LGC) was under investigation because that is the only organization for which you have received a complaint.

During testimony in the Senate it was revealed that both Primex and SchoolCare operate in a similar manner to the LGC. Both have large reserves in comparison to their contribution levels. Both also use money from one line of coverage (Health, for example) to fund other lines of coverage and other programs that are not directly tied to the original line of coverage.

Please consider this letter a formal complaint so that you may begin an investigation of similar scope and magnitude for these two pools as you are currently performing on the LGC. The investigation should hold all 5-B programs to the same standards.

Following is information you may wish to consider for your investigation: LGC has already testified that its HealthTrust has contributions of \$350 million and reserves of \$71 million, roughly 20% of contributions. Primex testified it has \$74 million in contributions and \$44 million in reserves, roughly 60% of contributions. SchoolCare testified that it has \$100 million in contributions and \$30 million in reserves, 30% of contributions. On a percentage basis, Primex and SchoolCare are holding far greater reserves for their programs than LGC. Both Primex and SchoolCare also testified that they are or will be using surplus to fund other programs (Schoolcare for a dental program and Primex for all lines of coverage). Furthermore, each is using surplus to reduce future rates and is not returning cash dividends to members but is instead using the surplus as a future rate credit to moderate rates and make other programs more competitive as their strategy and board policy dictates. If this is something that LGC is being scrutinized about, then so, too, should SchoolCare and Primex under this complaint.

Additionally, I understand that Primex commingles all funds. Does that mean that any program, conference, training opportunity, publication or other venture funded by Primex is using health dollars for programs that are not solely part of the claims, administration, reserves, or reinsurance for health as outlined in 5-B? How large is the staff at Primex and are the responsibilities of that staff directly tied back to a specific line of coverage? Are they are being paid with dollars attributable to that line of coverage?

Primex owns an office building that has received several architectural and design awards. Its brick, granite and glass construction coupled make for a beautiful facility, but its attention to details and cost of construction may be too rich for a public facility constructed with taxpayer dollars and this should be examined as well. I understand that this building houses the NH School Administrators

Association, the NH Association of Counties, the NH School Business Officials Association and Government Entities Mutual (GEM). Do they pay rent? Does Primex provide support to them? Are they related to the mission of Primex or to RSA 5-B? Isn't GEM a national insurance company? Why is it housed at Primex?

Primex began as Compensation Funds of NH (CFNH) and later merged with NH School Boards Insurance Trust (NHSBIT) to become Primex. When LGC merged its entities we heard they needed to use Delaware corporate law to do so. Did Primex do the same thing or incorporate or file paperwork in Delaware or elsewhere outside of NH? That seemed to be a big bone of contention with the Senate. Wouldn't you have all the documentation in your office about that?

Furthermore, it has been alleged that in the past and perhaps even now, Primex ran the NH Hospitality Trust out of the Primex building with Primex employees. This program handled claims for the NH restaurant and lodging industry. Was taxpayer money being used to support a for-profit venture? Perhaps this goes further than a 5-B investigation but you should look at that. The Redem group, a privately owned nurse case manager program, also operated out of Primex with Primex employees. This group served places like Freudenberg NOK and Filenes. Profits went to Primex leadership. Shouldn't this information be investigated as well?

What are Primex salaries and administrative costs? I understand that LGC has provided that information to you and others, but do we have that information for the other pooled programs? I trust this complaint gives you ample basis for your investigation. In short, anything you are investigating about LGC should also be examined in Primex and SchoolCare, as all 5-B entities seem to operate in a similar manner. We use both Primex and LGC in Rochester and we like what we are receiving. I am not suggesting that anything is "wrong." However, as I stated at the House Commerce Committee meeting, this feels like a "witch hunt" and I want to be sure that we are treating all entities in the same way. In fact, we heard in the legislature that all pools seem to interpret the statute in the same way. We should find out whether this is the case and whether we need to clarify the statute so that we can be comfortable that pools are operating in the way the legislature intended.

Thank you for your assistance.

Sincerely,

Sandra B. Keans
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