



tel 800.362.0700  
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August 8, 2016

Dear Policyholder,

This letter has been prepared to update you regarding recent company events. On July 27, 2016, the Pennsylvania Insurance Commissioner, as Rehabilitator of Penn Treaty Network America Insurance Company (PTNA) and American Network Insurance Company (ANIC), filed documents with the Commonwealth Court of Pennsylvania. The first document was a Notice of Withdrawal of the Second Amended Plan of Rehabilitation from the Court's consideration. The other documents included new petitions requesting liquidation for both PTNA and ANIC.

These filings are all currently being reviewed by the Court and are available for viewing on our website, [www.PennTreaty.com](http://www.PennTreaty.com). When the Court completes its review and makes a decision on these filings, you will be notified and will receive more detailed information. You are not required to take any action at this time, and your policy coverage will continue as long as you continue to pay your premiums when due.

We will continue to keep you informed as new information becomes available. Please note that the information contained in this letter and the enclosed list of questions and answers is all of the information currently available to share with you.

If you need clarification on any of this information, or have any claim or policy questions, please call Policyholder Services at 1-800-362-0700. We expect call volume to be heavy for the next two weeks, and will respond to your inquiry as quickly as possible.

Thank you for your patience as we continue to work through the court process.

Sincerely,

Robert Loren Robinson  
Chief Rehabilitation Officer

Penn Treaty Network America Insurance Company (In Rehabilitation)  
(Penn Treaty Network America Life Insurance Company in California)  
American Network Insurance Company (In Rehabilitation)





## Questions and Answers about Proposed Liquidation of PTNA and ANIC

### REHABILITATION PLAN/LIQUIDATION QUESTIONS

#### **1. What happens when a company becomes insolvent and is liquidated?**

Liquidation is similar to bankruptcy. When liquidation is ordered by a court, the company's assets and liabilities, such as creditor and policyholder obligations, are assessed. Following the assessment of liabilities, the company's assets are allocated to policyholders and creditors according to an order of priority provided by law.

#### **2. How is liquidation different from rehabilitation?**

Under rehabilitation, the Rehabilitator may evaluate and implement opportunities to correct the condition of the company that led to its placement in rehabilitation. The Rehabilitator may seek to convert the rehabilitation to a liquidation when it is determined that further attempts to rehabilitate the company would be futile or substantially increase the risk of loss to policyholders, creditors or the public.

#### **3. Why is the Commissioner requesting that the companies be liquidated instead of rehabilitated?**

The Pennsylvania Insurance Commissioner (as Rehabilitator for PTNA and ANIC) considered numerous rehabilitation options and proposed two distinct plans of rehabilitation. Each of those plans was carefully considered by numerous interested parties and was met with many objections. The Commissioner has concluded that the objections cannot be resolved by agreement, and that continued attempts to implement a rehabilitation plan will result in costly and lengthy litigation, would be futile and would substantially increase the risk of loss to policyholders, creditors and the public. Meanwhile, the companies' assets are being substantially depleted. Therefore, the Commissioner has concluded that conversion to liquidation is appropriate and the only feasible option.

#### **4. Why was it determined that PTNA and ANIC could not be rehabilitated?**

The Rehabilitator worked with actuarial consulting firms to review the companies' current financial condition and future financial projections. The results indicate that PTNA and ANIC do not have adequate assets and future projected premiums to fully pay for expected claims in the future and that the deficit is substantial. The Rehabilitator does not believe the shortfall can be filled by rate increases. The Rehabilitator proposed a plan in 2014 to rehabilitate part of the business of the companies, but for reasons discussed below, that plan is not feasible. In addition, the Rehabilitator determined that there are no available transactional alternatives to

rehabilitate the companies (such as capital infusion, reinsurance or sale) that would be fair to and in the best interests of the companies, their policyholders and other affected parties.

**5. What happened to the Rehabilitation Plan that was proposed in 2014?**

Several interested parties raised many substantial objections to the Second Amended Plan of Rehabilitation. These parties held meetings and discussions throughout 2015, attempting to resolve these objections. The Commissioner has concluded that many of the objections were not able to be resolved, and the time, cost and burden of continuing to pursue the Second Amended Plan of Rehabilitation made it not feasible and would outweigh the anticipated benefits of the Plan.

**6. What will happen to my policy when PTNA and ANIC are liquidated?**

In liquidation, insurance coverage will be continued by state guaranty associations pursuant to state law and policy claims will be paid by those state guaranty associations, subject to statutory coverage limits. You are required to continue to pay any premiums due under your policy in order to be eligible for coverage under your policy from your state guaranty association.

**GUARANTY ASSOCIATION QUESTIONS**

**7. What are state guaranty associations?**

State life and health insurance guaranty associations are organized under state law to provide certain protections to state residents who own or are beneficiaries of life, health and annuity policies or contracts issued by an insurance company that has been ordered liquidated by a court. All 50 states, the District of Columbia, and Puerto Rico have life and health insurance guaranty associations.

Insurance companies (with limited exceptions) licensed to write life and health insurance or annuities in a state are required to be members of the state's life and health insurance guaranty association. If a member company becomes insolvent (goes out of business) and is ordered liquidated by a court, the state guaranty associations continue the coverage under policies previously written by the company and pay the insurance claims, subject to statutory coverage limits. The state guaranty associations are also entitled to the ongoing insurance premiums in return for providing coverage.

**8. Is long-term care insurance covered by state guaranty associations?**

Yes. Long-term care insurance is typically considered health insurance for state guaranty association coverage purposes.

**9. How much protection do I have?**

State guaranty associations have maximum benefit limits. These limits are established by state law and can vary from state to state. Guaranty association protection will generally be provided

by the guaranty association in your state of residence at the time of liquidation, even if your policy was purchased in another state. You may access more information regarding specific state guaranty associations at <https://www.nolhga.com/PennTreatyFAQs.cfm>

**10. If my policy benefits are higher than the state guaranty association benefit limits, do I lose the difference in coverage?**

It has not been determined how claims above state guaranty association benefit limits will be treated in the liquidation. It is possible that the Court will allow for the payment of some claims in excess of state guaranty association benefit limits. It is expected that you will receive additional information in the future.

## PREMIUM PAYMENT QUESTIONS

**11. Should I keep paying my premiums?**

You must continue to pay your policy premium when due to continue the coverage afforded by your policy. In liquidation, those premiums are due to your state guaranty association, and if you stop paying premiums when due, your insurance benefits will be terminated. All claims will continue to be paid in accordance with the terms of your policy up to the state guaranty association statutory coverage limits.

**12. Do I have to pay my full premium amount if the state guaranty association is only partially covering my policy?**

Yes. You are required to continue to pay the full premium due under your policy in order to be eligible for coverage under your policy from your state guaranty association.

**13. Is there any change to the premium payment process?**

There is no plan to change the method by which your premiums are being paid and collected, so continue using the same payment method, including automatic electronic funds payments.

## CLAIM QUESTIONS

**14. Will my claim be paid if I need to use my policy benefits?**

All claims will continue to be paid in accordance with the terms of your policy up to the state guaranty association statutory coverage limits, following the entry of an order of liquidation. You must continue to pay your policy premium when due to continue the coverage afforded by your policy.

In liquidation, claimants will be subject to benefit limits set by the state of your covering GA. You may access more information regarding specific state guaranty associations at [www.nolhga.com](http://www.nolhga.com).

**15. How can I submit a claim to the state guaranty association?**

There is no plan to change the claim process. Policyholders should continue to submit claims to PTNA and ANIC's office in Allentown, PA. The companies will coordinate with your state guaranty association.

**16. How long will it take for my claims to be paid by the state guaranty association?**

When a company is placed into liquidation, the state guaranty associations are typically activated to pay claims as soon as the court's order of the liquidation becomes effective. Claim payments are expected to continue without interruption.

**CONTACT INFORMATION**

**17. Is the address, phone number or fax number changing for my premium or claim questions?**

No. There are no plans to change the address, phone numbers and fax numbers for any premium payments and claim submissions. They remain as follows:

**Telephone:** 800-362-0700

**Fax:** 610-965-6962

**Premium Payments**

Penn Treaty

PO Box 70257

Philadelphia PA 19176-0257

**Claim Submissions**

Penn Treaty

PO Box 7066

Allentown PA 18105-7066

**18. Who do I call if I have questions?**

Contact Policyholder Services at 800-362-0700 for policy or claim information or for questions related to liquidation.