

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

<hr/>	In re: Penn Treaty Network America	:	Docket No. 1 PEN 2009
	Insurance Company in Rehabilitation	:	
		:	
	In re: American Network Insurance	:	Docket No. 1 ANI 2009
<hr/>	Company in Rehabilitation	:	

**VERIFIED STATEMENT OF RONALD P. SCHILLER, ESQUIRE
IN SUPPORT OF APPLICATION TO FACILITATE THE
CREATION OF A COMMITTEE OF POLICYHOLDERS**

I, Ronald P. Schiller, hereby depose and state that:

1. I am an attorney-at-law, duly admitted to practice in the Commonwealth of Pennsylvania and this Court. I am a shareholder in the law firm of Hangley Aronchick Segal Pudlin & Schiller, P.C. (“HASPS”), with offices at One Logan Square, 27th Floor, Philadelphia, Pennsylvania 19103-6933. Unless otherwise stated in this Verified Statement, I have personal knowledge of the facts set forth herein.

2. I submit this Verified Statement in support of the Application to Facilitate the Creation of a Committee of Policyholders (the “Application”), filed by the Rehabilitator in the above-captioned cases on March 28, 2013. The statements contained in the Application concerning my background and experience are true and correct to the best of my knowledge, information and belief.¹

3. I would appreciate the opportunity to appear in person at any further hearing on the Application in order to address any questions the Court may have regarding any of the issues raised in the Application or this Verified Statement.

¹ All capitalized terms used but not defined herein shall bear the meaning set forth in the Policyholders Committee Application.

My Involvement in the Preparation of the Application

4. I was initially contacted about these cases by counsel for the Rehabilitator at DLA Piper in the winter to explore whether my firm would have any conflict. At that time, they provided me with a copy of the Court's decision of May 3, 2012 denying their petition for liquidation. Since that time, we have spoken briefly on a few occasions, but only to discuss my willingness to be involved in the case, whether HASPS faces any conflicts, my independence from the Rehabilitator, and in connection with the Rehabilitator's request for my background information. In addition, I met with the Rehabilitator's counsel for a half hour or so to provide me with limited background facts so that I could determine whether my background is consistent with what would be required of independent counsel for the policyholders and to confirm that no trial commitments in other cases would interfere with my ability (or that of my team and firm) to fulfill the obligations of counsel to the Policyholders Committee.

5. Counsel for the Rehabilitator told me that they contacted me because of their knowledge of and respect for my abilities and experience, not because of any prior connection I had with counsel's firm, DLA Piper. Indeed, lead counsel for the Rehabilitator and I have never worked together; my only dealings with him have been as counsel for opposing parties when we were both at different law firms or as counsel for separate parties in multi-defendant cases.

6. I have not contacted any policyholders to solicit them to retain HASPS to promote the formation of a Policyholders Committee or otherwise to solicit their involvement in a Policyholders Committee.

7. However, per the e-mail attached hereto as Exhibit A, after the Application was filed Jeffrey E. Raelson, a policyholder and former agent for the Companies, contacted me to express his interest in the formation of and participation on a Policyholders Committee. A colleague of mine subsequently contacted him only to confirm his consent to the attachment of

his e-mail to this Verified Statement.

Lack of Conflicts and Connections

8. In their response to the Objection, the Intervenors suggest that my former connection with the DLA Piper firm somehow will prevent me from independently representing the Policyholders Committee. This is wrong.

9. As set forth in the Application, I was formerly a partner at DLA Piper, currently counsel for the Rehabilitator. I left DLA Piper and joined HASPS as a shareholder in July 2009. Since that time, I have had no association with DLA Piper, except for matters of a confidential nature relating to return of my capital and related financial issues arising from my departure. Since those matters are confidential, if the Court has any further questions about such matters I ask that DLA Piper and I be provided an opportunity to answer such questions confidentially. DLA Piper did not represent the Rehabilitator in these cases while I was a partner or at any time while I had a financial interest as a partner in DLA Piper.

10. My prior association with DLA Piper will not affect my ability to represent and advocate the interests of policyholders. I have no ongoing association with or obligations to DLA Piper. And, while I have immense respect for the attorneys from DLA Piper representing the Rehabilitator, the same is true of most of the counsel representing other parties in cases in which I am involved, including counsel for the Intervenors in this case. That respect does not diminish my ability to advocate my clients' interests.

11. Moreover, I have not previously represented the Insurance Department of the Commonwealth of Pennsylvania or Commissioner Considine in any matter. HASPS has previously represented the Insurance Department and other Commonwealth Agencies, although not in connection with the Companies or any other insurance company rehabilitation or liquidation matter. HASPS does not presently represent any Commonwealth Agencies.

12. Neither I nor, as far as I am aware, HASPS or any of its shareholders have communicated with any of the Intervenor or their representatives or counsel concerning this matter, other than in connection with information requests concerning the Application. Nor do any of us represent or have any other connection with any of the Intervenor.

13. Neither I nor, as far as I am aware, HASPS or any of its shareholders have communicated with or represent any agents for the Companies concerning this matter, except as set forth above.

Formation of Committee

14. If the Application is approved, I will act as quickly as possible to form a diverse committee of policyholders broadly representative of the range of policyholders of the Company, including, without limitation, with regard to the type of policy, geographical location, available guarantee fund coverage, age and claim status.

15. Initially, I propose to send out a notice concerning the formation of the Committee and a questionnaire soliciting interest in participating on the Committee and seeking information about policyholders who are interested in participating. If the Court adopts its proposal to appoint an Administrator for policyholders, I would work with the Administrator to separate out tasks handled most efficiently by non-lawyers and other administrative personnel.

16. Once a critical volume of responses are received, we will review them – again in coordination with any Administrator – in order to identify an appropriately representative group of policyholders. In addition, we will seek to consult with both the Rehabilitator and the Intervenor to ensure that the make-up of the Committee is fair and appropriate.

17. Based on our review and consultation, we will form a Policyholders Committee and notify the court of its membership.

18. I do not, however, believe that it is necessary or appropriate that I (or any law firm) seed the Committee with preselected policyholders before the open process outlined above. Certain policyholders may have a greater ability to obtain information about and provide input into the rehabilitation process even without the formation of the Committee. All Committee members should be selected through a completely open and neutral process, managed by an independent third party, not a self-selected or pre-selected group of policyholders, or lawyers looking to organize a constituency to justify their being retained.

19. Although the Rehabilitation will affect different policyholders in different ways, as the Intervenor's note in their response to the Application, I do not believe that circumstance will prevent the Committee from appropriately representing the interests of the policyholders in these rehabilitation cases. Conflicting interests among members of a committee in an insurance rehabilitation, or on analogous creditors committees in bankruptcy cases, are not at all unusual and most of the time do not interfere in a committee's ability to function. I have no doubt that, to the extent there are conflicts among the interests of various groups of policyholders, a Policyholders Committee in this case would nonetheless be able to competently and responsibly represent the joint interests of all policyholders.

Representation of Policyholders Committee

20. If the Application is granted and the Policyholders Committee retains me as its counsel, I will ensure that the Committee is represented competently and efficiently and work with the Rehabilitator and Intervenor's toward a fair and expeditious resolution of these Rehabilitation Cases.

21. In my role as counsel for the Committee, my chief responsibilities would include the following:

- Actively and vigorously pursue the interests of policyholders in the negotiation, design and review of a plan of rehabilitation
- Advise the Committee concerning the relevant provisions of any proposed plan of rehabilitation and how they will impact policyholders
- Represent the Committee and the interests of policyholders before this Court during proceedings concerning the approval of any proposed plan of rehabilitation and in other, related proceedings
- Assist the Committee in retaining any other professionals necessary to ensure that the Committee can properly represent and advance the interests of all policyholders
- Develop and implement a program for communicating with all policyholders concerning the status of these rehabilitations cases and the Committee's activities, including providing periodic updates to and soliciting input from other policyholders

22. In representing the Committee, however, I will endeavor to avoid duplicating work that has been done or is being done by other parties to these cases, such as the Rehabilitator and the Intervenors. Thus, to the extent consistent with the interests of policyholders, and to the extent the Rehabilitator and the Intervenors are willing to do so, I will endeavor to coordinate efforts and share work product with counsel for the Rehabilitator and/or the Intervenors.

Likewise, although I anticipate the Committee likely will need to retain its own consultants to assist in its review and consideration of any proposed plan of rehabilitation, I will seek to ensure that those consultants' work is focused on reviewing the work of the Rehabilitator's and/or Intervenors' consultants, rather than conducting their own studies from scratch, to the extent consistent with the interests of policyholders.

23. In addition, I will use my best efforts to ensure that the Committee's work does not delay resolution of these rehabilitation cases. Of all parties involved, policyholders likely stand the most to gain from a prompt resolution, and the most to lose from delay. Accordingly, I plan to do whatever I can to ensure that the Committee's work promotes an expeditious resolution of these cases, and not the opposite.

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CERTIFICATE OF SERVICE

I, Ronald P. Schiller, hereby certify that on May 3, 2013, a copy of the Praecipe to File Verified Statement of Ronald P. Schiller, Esquire in Support of Application to Facilitate the Creation of a Committee of Policyholders is being served via First Class Mail, postage prepaid on the counsel listed below:

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Counsel for Rehabilitator

Dated: May 3, 2013



Ronald P. Schiller