

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In re: Penn Treaty Network America Insurance Company and In re: American Network Insurance Company	1 PEN 2009 and 1 ANI 2009
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**OBJECTIONS OF THE POLICYHOLDERS COMMITTEE
TO PAGES 79, 80, 81, 85, 86, 87, 89 OF THE TRANSCRIPT
OF PROCEEDINGS TAKEN JULY 14, 2015**

The Policyholders Committee requests the correction of the record of its prepared statement by counsel concerning the Second Amended Plan at the July 14, 2015 hearing in this matter. The corrections are of certain words that, as indicated by context, were not pronounced clearly enough to be transcribed accurately or are misspelled in the transcript. The requested corrections appear on the attached copies of pages 79, 80, 81, 85, 86, 87 and 89 of the July 14, 2015 transcript. The Policyholders Committee respectfully requests that the Court settle its objections pursuant to Pa.R.A.P. 1922(a) and (c).

28 JUL 2015 12 10

Respectfully submitted,

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Dated: July 28, 2015

CERTIFICATE OF SERVICE

I certify that on July 28, I caused a true and correct copy of the foregoing transcript objections to be served on the following persons by email at the email addresses indicated below:

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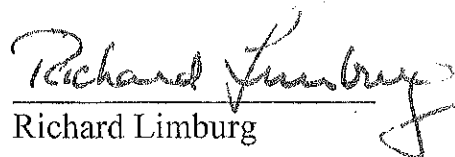
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1 the plan should require notice to
2 such policyholders explaining the
3 lack of Guaranty Association coverage
4 and the nature and amount of unfunded
5 benefit coverage under the plan.

6 Third comment: The plan
7 currently provides that all policies
8 determined to be self-sustaining will
9 be assigned to Company A subject to
10 the policyholders' right to elect
11 Company B.

12 There are a number of self-
13 sustaining policies that have policy
14 limits that are at or below
15 applicable Guaranty Association
16 limits.

17 Such policies have little to
18 gain from being placed in Company A
19 and would ~~fair~~^{fare} better in Company B,
20 especially if there's a greater risk
21 of rate increases in Company A or if
22 there's a risk that Company A may not
23 be funded sufficiently to run off the
24 policies under adverse conditions.

1 The funding of Company A will
2 depend in part on updated assumptions
3 related to future claims experience.
4 These assumptions have not yet been
5 released by PricewaterhouseCoopers.

6 If the assumptions and
7 sensitivity tests are satisfactory to
8 the Committee's actuary, we're
9 prepared to withdraw this objection,
10 but we start with the notion that
11 people who have benefits below the
12 Guaranty Association guaranties would
13 be better off going with the Guaranty
14 Associations.

15 The fourth objection, the plan
16 indicates in Article IV, Section L,
17 that some Guaranty Associations may
18 decide to limit coverage for a
19 portion of the policies ^{inflation} ~~in-place~~
20 benefits. Guaranty Association
21 statutes generally limit coverage and
22 policy benefits that are based on a
23 rate of interest.

24 For example, 40 ^{Purdon's Statutes} ~~per the~~

1 ~~statute~~, Section 991.1703(b) (2)
2 (3)(iii) ~~3iii~~. These coverage limitations
3 are known as Moody's Provisions
4 because they employ the Moody's
5 corporate bond yield average to
6 calculate the amount of interest the
7 Guaranty Associations must cover.

8 Usually, the Moody's average
9 approximate^s 4 percent for a specified
10 number of years before the
11 liquidation dates and the Moody's
12 average less approximately 2 percent
13 going forward after liquidation.

14 This allows Guaranty
15 Associations to recalculate the
16 interest owed for prior years,
17 thereby reducing principal to an
18 amount as of the date well before
19 liquidation and drastically reducing
20 the rate of growth from that point
21 forward.

22 The application of such
23 Moody's provisions to inflation
24 benefits is questionable for several

1 in Guaranty Association benefit and
2 expenses.

3 THE COURT: Okay. So that is
4 resolved?

5 MR. LEONARD: That has been
6 resolved, Your Honor.

7 7, the definition of plan
8 preparation period should be limited
9 to six months subject to extension by
10 The Court.

11 8, that comment has been
12 resolved through negotiations also,
13 Your Honor, and that comment was the
14 mailing of policyholder election
15 packages should be ^{phased} ~~based~~ so as to
16 control the volume of calls to the
17 Policyholder Services Department each
18 week and thereby making it easier for
19 policyholders to speak with
20 policyholder services representatives
21 on a timely basis.

22 9, we understand that the
23 companies will retain consultants
24 experienced in the communication of

1 insurance matters to seniors to
2 assist with the preparation of the
3 election package. This largely
4 satisfies the Committee's concerns;
5 however, the Committee reserves the
6 right to review the election package
7 prior to distribution and, if
8 necessary, raise objections thereto
9 with The Court.

10 The Committee rejects PTAC's
11 various proposals for rehabilitation
12 of the company for some of the same
13 reasons the Committee rejected the
14 April 30th, 2013, plan.

15 Drastic rate increases of
16 several hundred percent would not be
17 approved by regulators and would be
18 too costly for many policyholders to
19 bear. It would not be fair to ~~say to~~ ^{save the} ✓
20 companies by forcing policyholders to
21 give up their policies.

22 Across-the-board benefit
23 reductions would be contrary to the
24 terms of the policies which are

1 ~~renewal~~ ^{renewable}, and there's no
2 guaranteed ~~renewal~~, and there's no
3 assurance that such efforts would, in
4 fact, return the companies to
5 solvency.

6 The Committee rejects the
7 health insurers' position that
8 allocating assets for claims in
9 excess of Guaranty Association caps
10 is lawful.

11 It cannot be the case the
12 policies can be terminated without
13 liability or value to the
14 policyholder. Such result would be
15 contrary to case law and established
16 practices in insurance liquidation
17 and it is not required by a fair
18 reading of Pennsylvania's Liquidation
19 Statute.

20 Termination of coverage is not
21 the same as termination of liability.
22 The company may not refuse to perform
23 its contracts without incurring
24 liability for breach.

 The Committee also rejects the

1 additional detail.

2 With respect to the funding of
3 Company A, the Committee is of the
4 view that the funding ~~is~~ ^{should be} sufficient ✓
5 to enable Company A to withstand
6 moderately-adverse conditions;
7 otherwise, ^{policyholders} ~~policies~~ who elect Company ✓
8 A cannot be reasonably sure that they
9 will avoid a second insolvency and
10 liquidation of their policies or that
11 their benefits will be paid as they
12 come due.

13 The committee prepared a
14 letter to policyholders which
15 disclosed the conservative funding of
16 Company A. The aspect of the plan
17 did not draw objections from
18 policyholders.

19 The Committee believes the
20 health insurers would reduce the
21 funding of Company A to a point that
22 puts the utility of Company A in
23 question.

24 If The Court determines that