

Questions and Answers concerning the Penn Treaty and American Network Rehabilitations

GENERAL QUESTIONS

Question

I have heard Penn Treaty and American Network are going into bankruptcy or being taken over by the state. Is this true?

Answer

It is not a bankruptcy it is a rehabilitation.

On January 6, 2009, the Commonwealth Court of Pennsylvania placed Penn Treaty Network America and its wholly owned subsidiary American Network Insurance Company into rehabilitation and appointed the Insurance Commissioner to be the Rehabilitator. The rehabilitations were ordered with the consent of the Boards of Directors of both Penn Treaty and American Network

During the rehabilitations, we will conduct an analysis of each company's financial position and the Rehabilitator will determine what steps are necessary to protect the policyholders of the companies. We will notify all interested parties of our determinations as well as any decisions we make.

Question

What is rehabilitation and how does it work?

Answer

Rehabilitation is a legal step taken by the Court to protect policyholders by preserving the company's assets.

The Insurance Commissioner petitions the Commonwealth Court for approval to rehabilitate the company. If the Court approves the request, the Insurance Commissioner is named the Rehabilitator and:

- Assumes management of the company
- Attempts to correct existing problems
- Continues operations
- Maintains policyholder accounting
- Develops a Plan of Rehabilitation or petitions the Court for liquidation.

Question

How does the Rehabilitator accomplish this?

Answer

A company in Rehabilitation meets its obligations by:

- Maintaining premium flow from the existing policyholders
- Managing assets, including the sale of those assets, if appropriate
- Seeking a company with which to merge, as appropriate
- Seeking a business partner to strengthen the company through capital investments, as appropriate

Question

How did this happen to Penn Treaty and American Network?

Answer

Many factors can impact on the financial stability and solvency of a company. It would be unwise and unfair to speculate as to the reasons for Penn Treaty and American Network's financial status until the Rehabilitator has the opportunity to review the financial position of each company. However, many mono-line long term care companies are experiencing similar financial woes resulting from the cost of claims being greater than was originally priced when the products were sold.

Question

What type of coverages did Penn Treaty and American Network offer?

Answer

Penn Treaty and American Network Insurance companies offered mostly long-term care. In addition, the companies wrote policies for disability income, Medicare supplement and accidental death and dismemberment coverages.

Question

How many states did Penn Treaty and American Network sell business in?

Answer

An informal review of the 2007 annual reports and other official documents indicate Penn Treaty and American Network sold or had licenses to sell policies in up to 50 states and the District of Columbia.

Question

What will happen when the financial status of the companies is determined?

Answer

One of two things will occur. If it is determined for each company that they can be rehabilitated, a rehabilitation plan will be designed and it will be presented to the Commonwealth Court for approval. All interested parties will be notified of the Plan and its impact on them prior to its approval and given an opportunity to comment to the Court on the Plan.

If it is determined for each company that the company's condition is too hazardous to allow for a rehabilitation, the commissioner will petition the Commonwealth Court for a Liquidation Order. Most of the policies Penn Treaty and American Network sold were guaranteed renewable. Therefore, part of the liquidation will include the transfer of non-cancelable policy obligations to the respective state Guaranty Associations for payment of claims within their limits. Most state guaranty associations have a \$100,000 or \$300,000 limit for long-term care policies. There are three states that have a \$500,000 limit and Utah has a limit equal to the policy benefit. Attached to this Q&A is a listing of the state guaranty associations and the respective limits of coverage. Please make sure you read the note that explains how the chart should be read.

Question

Who do I call if I have questions concerning the rehabilitation?

Answer

If management or employees of Penn Treaty or American Network receive any inquiries from the media regarding rehabilitation, do not comment and refer the inquirer to the Insurance Department's Communications Office at (717) 787-3289. Any calls concerning regulatory matters, such as license status or regulatory filings should be referred to the Pennsylvania Insurance Department Office of Corporate and Financial Regulation at (717) 783-2142.

Questions from policyholders concerning claims should be referred to the appropriate claims office or representative as was done in the usual course of business. The toll free number for Penn Treaty and American Network is (800)362-0700, ext. 3190.

Inquiries from policyholders regarding non-claims matters, such as premium payments, policy endorsements, etc., should be referred to the appropriate Penn Treaty or American Network department as was done in the usual course of business. Questions from all other parties regarding the rehabilitation should be referred to the management of the appropriate company department. All departments and claims representatives will be provided with a script of anticipated questions and the appropriate answers regarding rehabilitation issues. These scripts will be updated and expanded as appropriate.

All other questions concerning the rehabilitations should be referred to the PA Insurance Department's Office of Liquidations and Rehabilitations at (717) 787-6009.

CLAIM SPECIFIC

Question

How does Rehabilitation affect my pending or open claim?

Answer

The Rehabilitator has decided that for both Penn Treaty and American Network claims for policy benefits will continue to be processed and paid in the normal course of business. If there is any change in the future, you will be notified.

Claims for Bad Faith or other Extra-Contractual damages will be deferred and not paid. They are addressed in the Rehabilitation Orders.

Claims of other insurance companies under reinsurance agreements and claims by other insurance companies directly against Penn Treaty or American Network will also be deferred and addressed through the Rehabilitation Plans.

Question

Do I need to do anything to get my claim paid or to keep receiving my payments?

Answer

No. You do not need to take any special action or file anything special at this time with respect to your current pending or open claim. You should continue to deal with, cooperate with and communicate with the companies in the same manner that you have in the past.

Question

What if I have a new claim? Can I submit it to Penn Treaty or American Network?

Answer

Yes. You should follow the provisions in your policy that explain how to file your claim.

POLICY SPECIFIC

Question

Will policies be cancelled?

Answer

The Rehabilitator will honor the policy you purchased from Penn Treaty or American Network. If you have a guaranteed renewable policy, it will not be cancelled. No other policy cancellations are being considered at this time. Remember, however, that if you do not pay your premium as it becomes due, your policy will be cancelled. You **MUST** pay your premiums to continue the policy.

Question

Should policyholders continue to pay premiums?

Answer

Yes. Payment of premiums as they become due will preserve coverage. If you fail to pay your premiums your policy will be cancelled.

EMPLOYEE SPECIFIC

Question

I am an employee. How will Rehabilitation affect me?

Answer

A letter from the Pennsylvania Insurance Commissioner as Rehabilitator will be distributed to employees addressing this specific issue. If you have not received the letter please contact your Human Resources Department.

AGENT SPECIFIC

Question

Will Penn Treaty and American Network continue to write new business?

Answer

No. Penn Treaty and American Network stopped accepting new business in October 2008.

Question

Will agent commissions be paid?

Answer

The commission payments will continue. During the Rehabilitator's analysis of the companies operations, the continuation of commission payments will be reviewed. Any changes regarding the payment of commissions will be addressed as part of a rehabilitation plan submitted to Commonwealth Court.

VENDOR SPECIFIC

Question

My company provided goods/services to Penn Treaty and American Network before the Rehabilitation Orders were issued. Will we get paid?

Answer

Generally, payments of all vendor bills for services rendered prior to January 6, 2009 are suspended pending the Rehabilitation Plan. You should contact the department of the company that you deal with regarding your goods/services. They will be provided with guidelines on what can be paid for goods/services incurred prior to January 6, 2009.

Question

I am a vendor to Penn Treaty and American Network. How can I be certain that my bills incurred after the January 6, 2009 Rehabilitation Orders will be paid?

Answer

All expenses incurred after January 6, 2009 and authorized by the Rehabilitator are considered administration expenses under the Rehabilitation Orders. They have been given the highest priority of payment under the Orders.

LEGAL/LITIGATION SPECIFIC

Question

I am involved in a suit with Penn Treaty or American Network. What impact do the Rehabilitation Orders have on me?

Answer

Stays have been ordered by the Rehabilitation Orders on all suits against Penn Treaty and American Network and/or its insureds. Suits against Penn Treaty and American Network are being stayed indefinitely.

The plaintiffs in those suits will become general creditors and will be addressed in the Rehabilitation Plans. A stay generally means that all activity on a law suit will cease until the stay is lifted or expires. If there is a compelling reason for an exception to a stay, contact Penn Treaty or American Network so they can bring the request to the Rehabilitator for consideration.

LIQUIDATION SPECIFIC

Question

How would a liquidation affect policyholders?

Answer

A Liquidation Order would trigger the various state guaranty associations into action to handle new and existing claims. Eligible claims would be covered up to the policy limit or the limits of your state's guaranty association coverage, whichever is less. Your state of residence determines which guaranty association will be responsible for your claim.

Claims not covered by a guaranty association, including any portion exceeding the Guaranty Association's statutory limit, become claims against the estate of the company and will be paid to the extent funds are available. Policyholder claims have priority over most other claimants.

Guaranty Association Information for Long-Term Care Insurance

State Association & Contact Information	LIMIT FOR LONG-TERM CARE
NAIC Model Current	\$300,000
NAIC Model 2008 Draft	\$300,000
Pennsylvania Life & Health Insurance Guaranty Association 610.975.0572 www.palifeqa.org	\$300,000
Alabama Life & Disability Insurance Guaranty Association 205.879.2202 www.allifeqa.org	\$300,000
Alaska Life & Health Insurance Guaranty Association 907.243.2311 www.aklifeqa.org	\$100,000
Arizona Life & Disability Insurance Guaranty Fund 602.364.3863	\$300,000
Arkansas Life and Health Insurance Guaranty Association 501.375.9151 www.arlifeqa.org	\$300,000
California Life & Health Insurance Guarantee Association 323.782.0182 www.califeqa.org	\$200,000 Increased by the change in the health care cost component of the consumer price index from January 1, 1991 to the date the member insurer becomes an insolvent insurer.
Colorado Life & Health Insurance Protection Association 303.292.5022 www.lhipa.org	\$100,000
Connecticut Life and Health Insurance Guaranty Association 860.647.1054 www.ctlifeqa.org	\$500,000
Delaware Life & Health Insurance Guaranty Association 302.456.3656 www.delifeqa.org	\$ \$100,000
District of Columbia Life & Health Insurance Guaranty Association 202.434.8771 www.dclifeqa.org	\$100,000
Florida Life & Health Insurance Guaranty Association 904.398.3644 www.flahiga.org	\$300,000
Georgia Life & Health Insurance Guaranty Association 770.621.9835 www.gaiga.org	\$300,000
Hawaii Life & Disability Insurance Guaranty Association 808.528.5400 www.hilifeqa.org	\$100,000
Idaho Life & Health Insurance Guaranty Association 208.378.9510 www.idlifeqa.org	\$300,000
Illinois Life & Health Insurance Guaranty Association 773.714.8050 www.ilhiga.org	\$300,000
Indiana Life and Health Insurance Guaranty Association 317.636.8204 www.inlifeqa.org	\$300,000
Iowa Life & Health Insurance Guaranty Association 515.248.5712 www.ialifeqa.org	\$300,000
Kansas Life & Health Insurance Guaranty Association 785.271.1199 www.kslifeqa.org	\$100,000
Kentucky Life & Health Insurance Guaranty Association 502.895.5915 www.klhiga.org	\$100,000
Louisiana Life & Health Insurance Guaranty Association 225.381.0656 www.lalifeqa.org	\$100,000
Maine Life & Health Insurance Guaranty Association 207.633.1090 www.melifeqa.org	\$300,000
Maryland Life & Health Insurance Guaranty Corporation 410.998.3907 www.mdlifeqa.org	\$300,000
Massachusetts Life & Health Insurance Guaranty Association 413.744.8483 www.malifeqa.org	\$100,000
Michigan Life & Health Insurance Guaranty Association 517.339.1755 www.milifeqa.org	\$300,000
Minnesota Life & Health Insurance Guaranty Association 651.407.3149 www.mnlifeqa.org	Limits adjusted for inflation (currently \$410,000)
Mississippi Life & Health Insurance Guaranty Association 601.981.0755 www.msifeqa.org	\$100,000
Missouri Life & Health Insurance Guaranty Association 573.634.8455 www.mo-iga.org	\$100,000
Montana Life & Health Insurance Guaranty Association 262.965.5761 www.mtlifeqa.org	\$100,000
Nebraska Life & Health Insurance Guaranty Association 402.474.6900 www.nelifeqa.org	\$500,000
Nevada Life & Health Insurance Guaranty Association 775.329.8387 www.nvlifeqa.org	\$100,000
New Hampshire Life & Health Insurance Guaranty Association 603.226.9114 www.nhlifeqa.org	\$100,000

State Association & Contact Information	LIMIT FOR LONG-TERM CARE
New Jersey Life & Health Insurance Guaranty Association 973.623.3989 www.njlifega.org	Unlimited subject to policy and statutory provisions and exclusions
New Mexico Life Insurance Guaranty Association 505.820.7355 www.nmlifega.org	\$300,000
Life Insurance Company Guaranty Corporation of New York 212.909.6813 www.nylifega.org	\$500,000
North Carolina Life & Health Insurance Guaranty Association 919.833.6838 www.nclifega.org	\$300,000
North Dakota Life & Health Insurance Guaranty Association 701.235.4108 www.ndlifega.org	\$100,000
Ohio Life & Health Insurance Guaranty Association 614.442.6601 www.olhiga.org	\$100,000
Oklahoma Life & Health Insurance Guaranty Association 405.272.9221 www.oklifega.org	\$300,000
Oregon Life & Health Insurance Guaranty Association 503.588.1974 www.orlifega.org	\$100,000
Puerto Rico Life and Disability Insurance Guaranty Association 787.765.2095	\$100,000
Rhode Island Life & Health Insurance Guaranty Association 401.273.2921 www.rilifega.org	\$100,000
South Carolina Life, Accident & Health Insurance Guaranty Association 803.276.0271 www.sclifega.org	\$300,000
South Dakota Life & Health Insurance Guaranty Association 605.336.0177 www.sdlifega.org	\$100,000
Tennessee Life & Health Insurance Guaranty Association 615.242.8758 www.tnlifega.org	\$100,000
Texas Life, Accident, Health & Hospital Service Insurance Guaranty Association 512.476.5101 www.txlifega.org	\$300,000
Utah Life & Health Insurance Guaranty Association 801.572.1218 www.utlifega.org	\$500,000
Vermont Life & Health Insurance Guaranty Association 802.229.3553 www.vtlifega.org	\$300,000
Virginia Life, Accident, & Sickness Insurance Guaranty Association 804.282.2240 www.valifega.org	\$300,000
Washington Life & Disability Insurance Guaranty Association 360.426.6744 www.walifega.org	\$500,000
West Virginia Life & Health Insurance Guaranty Association 304.733.6904 www.wvlifega.org	\$100,000
Wisconsin Insurance Security Fund 608.242.9473 www.wilifega.org	\$300,000
Wyoming Life & Health Insurance Guaranty Association 303.292.5022 www.whlifa.org	\$100,000