

assets of ANIC and the authority to administer the estate of ANIC. (Liquidation Order ¶¶ 1, 3-5.)

2. The Liquidation Order triggered the obligations of state guaranty funds and associations to provide ANIC's policyholders specified coverage based on state laws. *See, e.g.,* 40 P.S. § 991.1706(c). Generally, the guaranty associations are acting to fulfill their statutory obligations by continuing ANIC's insurance policies, subject to conditions and limits contained in state law.

3. Furthermore, the Liquidation Order directed the Liquidator to "transfer policy obligations, including the continued payment of claims and continued coverage arising under ANIC's policies, to state guaranty funds." (Liquidation Order ¶ 10.)

4. The Statutory Liquidator has arranged, directly or indirectly, with each guaranty association triggered by the Liquidation Order, to administer, on behalf of such guaranty associations, claims by ANIC policyholders for guaranty association benefits pursuant to an Interim Services Agreement. (Affidavit of Robert L. Robinson ("Robinson Aff.") at ¶ 3, attached hereto as Exhibit 1.) The Statutory Liquidator has also been providing the guaranty associations certain other services pursuant to the Interim Services Agreement. The ANIC estate is reimbursed by the guaranty associations for the costs of providing services under the Interim Services Agreement. (*Id.*)

5. The Statutory Liquidator has entered into so-called “Early Access” agreements with each guaranty association triggered by the Liquidation Order. These agreements require each such guaranty association to return to the Statutory Liquidator any amount of estate assets that are advanced to the guaranty association, including any funds used to pay policyholder claims on behalf of the guaranty association, if it is determined that the guaranty association received a greater share of the estate assets than it is entitled to under Article V. (*Id.* at ¶ 4.)

6. In her Application Under Section 536 of Article V, filed on March 3, 2017 (the “Initial Application”), the Statutory Liquidator requested that the Court authorize the Statutory Liquidator, for a period not to exceed one year from March 1, 2017, to advance funds from the estate of ANIC to pay policyholder claims on behalf of state guaranty associations, and that such advances be deemed to be distributions to guaranty associations under Section 536 of Article V. The purpose of the Initial Application was to ensure the uninterrupted continued payment of policyholder claims by the guaranty associations, in accordance with the goal of Article V: protecting policyholders.

7. On March 7, 2017, the Court entered an Order authorizing the Statutory Liquidator to advance funds to pay policyholder claims for a one-year period running from March 1, 2017, to March 1, 2018 (“Early Access Order”).

The Court later extended the Statutory Liquidator's authority to advance funds for ANIC policyholder claims only for an additional year, *i.e.*, until March 1, 2019.

8. As of December 31, 2018, there were approximately 5,800 ANIC policyholders receiving continued coverage from the guaranty associations and approximately 500 of these policyholders were on claim. (Ex. 1, Robinson Aff. at ¶ 2.)

9. ANIC is not expected to run out of funds available to pay claims on behalf of the guaranty associations until approximately 2021 and therefore can continue to fund such claims without potentially prejudicing the rights of other claimants. As of December 31, 2018, ANIC had approximately \$85 million in remaining assets. (*Id.* ¶ 6.)

10. Extending the Court's prior Order for a period of one year – from March 1, 2019 to March 1, 2020 – will continue to ensure the uninterrupted continued payment of ANIC policyholder claims by the guaranty associations.

WHEREFORE, the Statutory Liquidator respectfully requests that this Court grant this Application and enter an Order providing the relief requested herein.

Dated: February 1, 2019

Respectfully submitted,

/s/ James R. Potts

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capacity as Statutory Liquidator of ANIC*

EXHIBIT 1

4. The Statutory Liquidator has also entered into so-called "Early Access" agreements with each state guaranty association triggered by the PTNA and ANIC Orders of Liquidation requiring each such guaranty association to return to the Statutory Liquidator any amount of estate assets that are advanced to the guaranty association, including any funds used to pay policyholder claims on behalf of the guaranty association, if it is determined that the guaranty association received a greater share of the estate assets than it is entitled to under Article V.

5. Prior to February 1, 2018, the Statutory Liquidator ceased advancing funds to pay policyholder claims for PTNA because of the material risk that the Statutory Liquidator would later be required to seek recoupment of such funds from the guaranty associations because they will have received a greater share of the estate assets than they are entitled to under Article V.

6. As of December 31, 2018, ANIC had approximately \$85 million in remaining assets. It is not expected to run out of funds to pay claims until 2121.

Commonwealth of Pennsylvania
County of Lehigh

BY: Robert L. Robinson

Robert L. Robinson

Signed and sworn to before me
on February 1, 2019,
by Robert L. Robinson

Linda G. Carraghan

COMMONWEALTH OF PENNSYLVANIA

NOTARIAL SEAL

Linda G. Carraghan, Notary Public
City of Allentown, Lehigh County
My Commission Expires July 5, 2020

MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

Commission Number 1023894

LEGAL3972464612

CERTIFICATE OF SERVICE

I certify that, on February 1, 2019, I caused courtesy copies of the foregoing Application to be served on the counsel listed below. I further certify that the foregoing Application was posted to the PTNA and ANIC receivership website and served in accordance with the Court's order governing service on parties appearing on the Master Service List.

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