

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: American Network :
Insurance Company in Rehabilitation : 1 ANI 2009

ORDER

AND NOW, this 27th day of February, 2020, upon consideration of the Application Under Section 536 of Article V filed by Jessica Altman, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as the Statutory Liquidator of American Network Insurance Company (In Liquidation) (ANIC), the Application is GRANTED, and it is hereby ORDERED as follows:

1. Pursuant to Section 536 of Article V of The Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, *as amended*, 40 P.S. §§221.1-221.63 (Article V), the Liquidator is authorized to continue to advance funds from the estate of ANIC to pay policyholder claims on behalf of state guaranty associations as of March 1, 2020, and until March 1, 2021. Thereafter, any early access transfers to guaranty associations must be done by separate application.

2. This Order shall be effective as of March 1, 2020.



MARY HANNAH LEAVITT, President Judge

Certified from the Record

FEB 27 2020

And Order Exit

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: American Network Insurance
Company (in Liquidation)

:
: No. 1 ANI 2009

**APPLICATION UNDER SECTION 536 OF ARTICLE V FOR A ONE-
YEAR EXTENSION OF THE STATUTORY LIQUIDATOR'S
AUTHORIZED EARLY ACCESS TO FUNDS OF THE ESTATE OF
AMERICAN NETWORK INSURANCE COMPANY IN LIQUIDATION**

Jessica Altman, Insurance Commissioner of Pennsylvania, in her capacity as Statutory Liquidator of American Network Insurance Company in Liquidation (“ANIC”), hereby applies to this Court for an Order which extends by one year the Court’s Orders of March 7, 2017; February 26, 2018; and February 27, 2019, so as to continue authorizing the Liquidator to advance funds from the estate of ANIC to pay policyholder claims on behalf of the state guaranty associations, for a period of one year from March 1, 2020, to March 1, 2021. In support thereof, the Statutory Liquidator avers as follows:

1. On March 1, 2017, this Court entered an Order of Liquidation (the “Liquidation Order”) declaring ANIC, a subsidiary of Penn Treaty Network America Insurance Company in Liquidation (“PTNA”), insolvent, ordering ANIC to be liquidated pursuant to Article V, and vesting the Statutory Liquidator with the

assets of ANIC and the authority to administer the estate of ANIC. (3/1/17 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." (3/1/17 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 twice extended the Statutory Liquidator’s authority to advance funds for

ANIC policyholder claims for additional one-year periods; the current extension ends March 1, 2020.

8. As of December 31, 2019, there were approximately 5,400 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 May 2021 and therefore can continue to fund such claims without potentially prejudicing the rights of other claimants. As of December 31, 2019, ANIC had approximately \$79 million in remaining assets, of which \$26 million has been allocated to the guaranty associations for early access. (*Id.* ¶ 6.)

10. Extending the Court's prior Order for a period of one year – from March 1, 2020 to March 1, 2021 – 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 19, 2020

Respectfully submitted,

/s/ James R. Potts

James R. Potts

Michael J. Broadbent

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Commissioner of Pennsylvania, in her

capacity as Statutory Liquidator of ANIC

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CERTIFICATE OF SERVICE

I certify that, on February 19th, 2020, 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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/s/ Michael J. Broadbent

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In Re: American Network Insurance :
Company (in Liquidation) : No. 1 ANI 2009

AFFIDAVIT OF ROBERT L. ROBINSON

I, Robert L. Robinson, being duly sworn according to law, depose and say as follows:

1. As a result of my position as Chief Liquidation Officer of Penn Treaty Network America Insurance Company (“PTNA”) and American Network Insurance Company (“ANIC”), I have personal knowledge of their business operations as well as the actions taken in rehabilitation and liquidation.
2. There are currently approximately 5,400 ANIC policies and approximately 500 policyholders on claim.
3. Following the entry of the PTNA and ANIC Orders of Liquidation, the Statutory Liquidator arranged, directly or indirectly, with each state guaranty association triggered by the PTNA and ANIC Orders of Liquidation, to administer, on behalf of such guaranty associations, claims by PTNA and ANIC policyholders for guaranty association benefits pursuant to an Interim Services Agreement. The PTNA and ANIC estates are or will be reimbursed by the guaranty associations for the costs of providing services under the Interim Services Agreement.

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.

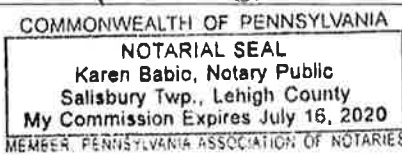
6. As of December 31, 2019, ANIC had approximately \$79 million in remaining assets, of which \$26 million has been allocated to the guaranty associations for early access. ANIC is not expected to run out of funds to pay claims until approximately May 2021.

BY: Robert L. Robinson

Robert L. Robinson

Signed and sworn to before me
on February 21st, 2020,
by Robert L. Robinson

Karen Babic



commission number 1243463