

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 TO EXTEND THE
COURT’S ORDER OF MARCH 7, 2017 BY ONE YEAR**

Jessica Altman, Acting 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 the Court’s Order of March 7, 2017 by one year 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, 2018. 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. (ANIC 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." (ANIC Order ¶ 10.)

4. As of December 31, 2017, there were approximately 6,700 ANIC policyholders receiving continued coverage from the guaranty associations and approximately 500 of these policyholders were on claim. (Affidavit of Robert L. Robinson ("Robinson Aff.") at ¶ 3, attached hereto as Exhibit 1.)

5. 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. (*Id.* at ¶ 4.) 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.*)

6. 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 ¶ 5.)

7. In her Applications 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 estates of PTNA and 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.

8. The Statutory Liquidator has been advancing funds from the estates of PTNA and ANIC to pay policyholder claims on behalf of state guaranty

associations pursuant to this Court's prior authorization. However, as of November 30, 2017, remaining PTNA estate assets were approximately \$178 million. (Ex. 1, Robinson Aff. at ¶ 7.) In order to preserve PTNA estate assets to pay potential higher or equal priority claims, including any Federal income tax obligations that might be classified as an administrative expense, the Statutory Liquidator, following discussions with representatives of the guaranty associations, ceased advancing funds from the PTNA estate to pay policyholder claims or claims administration expenses on behalf of state guaranty associations. Now such claims and expenses are being directly funded by the guaranty associations.

9. This Application is filed only on behalf of ANIC because 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 November 30, 2017, ANIC had approximately \$125 million in remaining assets. (Ex. 1, Robinson Aff. at ¶ 6.)

10. This Application is not filed on behalf of PTNA because the Statutory Liquidator determined that continued use of PTNA estate assets to pay claims on behalf of the guaranty associations posed a 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.

11. Extending the Court's prior Order for a period of one year – from March 1, 2018 to March 1, 2019 – will continue to ensure the uninterrupted continued payment of 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, 2018

Respectfully submitted,

/s/ James R. Potts

James R. Potts

Michael J. Broadbent

COZEN O'CONNOR

One Liberty Place

1650 Market Street, Suite 2800

Philadelphia, PA 19103

Tel: 215.665.2000

Fax: 215.701.2102

Leslie Miller Greenspan

TUCKER LAW GROUP, LLC

Ten Penn Center

1801 Market Street, Suite 2500

Philadelphia, PA 19103

Tel: 215.875.0609

Fax: 215-559-6209

*Attorneys for Jessica Altman, Acting
Insurance Commissioner of Pennsylvania, in
her capacity as Statutory Liquidator of PTNA
and ANIC*

EXHIBIT 1

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

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 62,000 PTNA policies and approximately 6,400 policyholders on claim.

3. There are currently approximately 6,700 ANIC policies and approximately 500 policyholders on claim.

4. The Statutory Liquidator has 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 reimbursed by the guaranty associations for the costs of providing services under the Interim Services Agreement.

5. 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.

6. As of November 30, 2017, ANIC had approximately \$125 million in remaining assets.

7. As of November 30, 2017, PTNA had approximately \$178 million in remaining assets.

Commonwealth of Pennsylvania

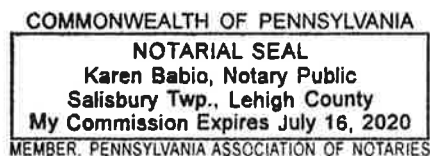
County of Lehigh

Signed and sworn to
before me on January 31, 2018
by Robert L. Robinson.

BY: Robert L. Robinson

Robert L. Robinson

Karen Babio



CERTIFICATE OF SERVICE

I certify that, on February 1, 2018, 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.

Counsel for NOLHGA

Caryn M. Glawe
Jane D. Wilson
FAEGRE BAKER DANIELS
300 N. Meridian Street, Suite 2700
Indianapolis, IN 46204

Mark D. Bradshaw
STEVENS & LEE
17 North Second Street, 16th Floor
Harrisburg, PA 17101

/s/ Michael J. Broadbent

