



tel 800.362.0700  
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October 9, 2009

Dear Policyholder,

We prepared this letter to update you regarding recent company events. On October 2, 2009, the Pennsylvania Insurance Commissioner, as Rehabilitator of Penn Treaty Network America Insurance Company (PTNA) and its subsidiary, American Network Insurance Company (ANIC), filed petitions that requested orders of liquidation. The final decision on liquidation is pending with the Commonwealth Court of Pennsylvania, which will require time to review the Rehabilitator's requests. We do not anticipate a ruling from the judge for at least two months or longer. If and when a liquidation order is issued by the court, you will be notified and you will receive more detailed information. Until the court orders otherwise, PTNA and ANIC will remain in rehabilitation and you are not required to take any action.

The petitions for liquidation, and supporting documents, can be downloaded from our website, [www.penntreaty.com](http://www.penntreaty.com).

As long as you continue to pay your premiums for coverage as they become due, your long-term care insurance policy will remain in force. New and existing claims will continue to be processed as usual. If and when the court enters an order of liquidation for PTNA and ANIC, claims would be covered by a state guaranty association, subject to any applicable guaranty association limits. Please refer to the enclosed list of questions and answers for more information about guaranty association protection.

If you need clarification on any rehabilitation-related information, please call 1-800-362-0700, ext. 3270. We do anticipate that our call volume will be heavy for the next few weeks, but we will make every effort to respond to your inquiry. For claim or policy inquiries, please call Policyholder Services at 1-800-362-0700, ext. 3190.

We will continue to keep you informed as developments warrant. Please note that we do not have any information other than what is contained in this letter and the attached list of questions and answers. We will send you an update when there is additional information to report.

Thank you for your patience as we work through this process.

Sincerely,

A handwritten signature in black ink that reads "Robert L. Robinson".

Robert L. Robinson, CLU, ChFC  
Chief Rehabilitation Officer

Penn Treaty Network America Insurance Company (In Rehabilitation)  
(Penn Treaty Network America Life Insurance Company in California)  
American Network Insurance Company (In Rehabilitation)  
3440 Lehigh Street :: Allentown, PA 18103

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## FREQUENTLY ASKED QUESTIONS FOR POLICYHOLDERS

### 1. Are Penn Treaty Network America Insurance Company (PTNA) and American Network Insurance Company (ANIC) in liquidation?

No, not at this time. The companies are still in rehabilitation. On January 6, 2009, the Commonwealth Court of Pennsylvania issued an order of rehabilitation for both companies and appointed the Pennsylvania Insurance Commissioner as rehabilitator. On October 2, 2009, the Rehabilitator filed petitions for liquidation of the companies with the Commonwealth Court of Pennsylvania. The final decision on liquidation is pending with the court. The companies will remain in rehabilitation until the court orders otherwise.

### 2. How is liquidation different from rehabilitation?

Under rehabilitation, the Rehabilitator evaluates and implements opportunities to restore the company's financial status to profitable or solvent levels. The Rehabilitator recommends liquidation for the benefit of the policyholders as a whole when he believes that there is no reasonable opportunity to restore positive surplus.

### 3. Why did the Rehabilitator recommend liquidation of PTNA and ANIC?

The Rehabilitator, the companies' management, and consultants have determined that future claims will exceed future revenues and current reserves. Therefore, PTNA and ANIC will be unable to sufficiently meet long-term future obligations.

### 4. Why was it determined that PTNA and ANIC could not be rehabilitated?

The Rehabilitator worked for the past several months with two actuarial consulting firms to review the company's current financial condition and future financial projections. The results indicate that PTNA and ANIC do not have adequate reserves to fully pay for expected claims in the future. In addition, the Rehabilitator has determined that there are no available transactional alternatives (such as capital infusion, reinsurance or sale) that would be fair to and in the best interests of the companies, their policyholders and other affected parties.

### 5. What is the timeline for the court process regarding these recent filings?

This could be a lengthy process. The Rehabilitator filed petitions for liquidation on October 2 and the Commonwealth Court is considering the Rehabilitator's recommendations. The judge may decide to hold hearings and/or request additional information from the companies and other interested parties before a ruling is made. We anticipate that this process could take approximately two to nine months.

## FREQUENTLY ASKED QUESTIONS FOR POLICYHOLDERS

### 6. How will I know if the court approves liquidation for my insurance company?

You will receive notification from the Rehabilitator and/or your state life & health guaranty association if and when the court issues a liquidation order.

### 7. Will any assets be sold?

The Rehabilitator will consider any proposed transaction that would be fair to and in the best interests of the companies' policyholders and other affected parties, and will evaluate the opportunities and economic value associated with a possible sale of the company's New York subsidiary, American Independent Network Insurance Company of New York.

### 8. What happens to my policy if PTNA and ANIC are ordered into liquidation?

Insurance coverage will continue and policy claims will be covered and paid by state guaranty associations, subject to statutory coverage limits, which will either pay them directly or transfer the policies to a financially stable insurance company. Following the entry of an order of liquidation, you will be required to continue to pay any premiums due under your policy in order to be eligible for coverage from your state guaranty association.

### 9. What is a life & health guaranty association?

Life & health guaranty associations were created to protect state residents who are policyholders and beneficiaries of policies issued by a life or health insurance company that has gone out of business. All 50 states, the District of Columbia, and Puerto Rico have life and health insurance guaranty associations.

All insurance companies (with limited exceptions) licensed to write life and health insurance or annuities in a state are required to be members of the state's life and health insurance guaranty association. If a member company becomes insolvent (goes out of business), the state guaranty associations continue the coverage and pay the claims under the insolvent insurer's policies and are entitled to the ongoing insurance premiums for those policies.

### 10. Is long-term care insurance covered by the guaranty associations?

Yes, long-term care insurance is typically considered health insurance for guaranty coverage purposes.

### 11. How much protection do I have?

State guaranty associations have maximum benefit limits. These limits are established by state law and can vary from state to state. You will receive information regarding state guaranty association coverage if and when liquidation is ordered by the Commonwealth Court.

## FREQUENTLY ASKED QUESTIONS FOR POLICYHOLDERS

12. If my policy benefits are higher than the state guaranty fund benefit limits, do I lose the difference in coverage?

While it has not been determined how claims above state guaranty fund benefit limits will be treated in the liquidation, losses in excess of guaranty association benefit limits may be eligible for submission as a policyholder claim against your insurance company's estate.

13. Should I keep paying my premiums?

You must continue to pay your policy premium to the company, when due, to continue the coverage afforded by your policy. All claims will continue to be paid in accordance with the benefits of your policy. Additional information will be made available to you if and when liquidation is ordered by the Commonwealth Court.

14. Will my claim be paid if I need to use my policy benefits?

All claims will continue to be paid in accordance with the terms of your policy. You must continue to pay your policy premium when due to continue the coverage afforded by your policy.

If the court enters an order of liquidation, future claimants will be subject to benefit limits set by the state in which you live. Additional information will be made available to you if and when liquidation is ordered by the Commonwealth Court.

15. Who do I call if I have questions?

You should continue to contact Policyholder Services at 800-362-0700, x3190 for policy or claim information. If you have questions related to rehabilitation, please contact x3270.