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Update to proposed Rehabilitation Plan for Penn Treaty Network America Insurance Company (In Rehabilitation)

The Special Deputy Rehabilitator (“SDR”) and the rehabilitation team continue their review and development of the proposed Plan of Rehabilitation (“Plan”) filed with the Commonwealth Court on April 30, 2013. From time to time, this work will result in possible amendments to the Plan that will be described in this section of the Site. The Plan will not actually be amended unless and until an appropriate filing is made with the Commonwealth Court. These descriptions are therefore intended only to provide information about what is contemplated by the SDR and the rehabilitation team. They remain subject to change as work on the Plan continues. Comments are welcome and may be sent to Penn Treaty Rehabilitation Comments, 3440 Lehigh Street, Allentown, PA 18103 or by email to PlanComments@penntreaty.com.

CONTEMPLATED AMENDMENTS

Page 17, Section F. Opt Out Benefits

This section would be revised to the following language:

Opt-Out Election

In the event the proposed plan is approved, policyholders may be given an opportunity to elect not to participate in the Plan (i.e. to “opt-out”) in which case they will not be required to make future premium payments. A policyholder who makes such an election to opt out may get at his or her option:

1. A non-forfeiture option type of paid-up contract (“Non-Forfeiture Option” or “NFO”) with an actuarial value equal to the “Opt-out Value” of the policyholder’s current contract. The Opt-out Value will be defined more fully in a future revision of the Plan or in collateral materials and will generally be calculated as an equitable allocation of all assets attributable to policyholder liabilities among the policies giving rise to those liabilities. Future benefits paid under this “NFO” option may be subjected to the benefit modifications

and suspensions of the approved Plan or may otherwise be substantially less than those provided under the Plan to those who do not opt-out; OR

2. A combination with an aggregate actuarial value equal to the Opt-out Value of the policyholder's current contract of:
 - i) Cash up to a specified percentage of such Opt-out Value; and
 - ii) a NFO with actuarial value equal to the balance of such Opt-out Value;OR
3. Cash equal to the Opt-out Value.

Policyholders who consider opting-out should be aware that the value of the NFO may fluctuate due to fluctuations in company assets and loss experience. The Rehabilitator cannot assure that it will be possible to "guarantee" these benefits. In addition, cash payments may result in adverse tax consequences if they exceed the policyholder's tax basis, generally the Net Accumulated Premium (premiums paid LESS benefits received). Policyholders should consult their tax advisors regarding this and other possible adverse tax consequences of receiving a cash payment. It is possible that policyholders who opt-out and elect to receive an NFO will participate in the distributions resulting from improvement in company conditions, but the Rehabilitator can provide no assurances regarding such participation. Although these opt-out benefits are designed and intended to be fair and equitable, the Rehabilitator makes no representation regarding the value of opt-out benefits when compared to benefits that may be received by those participating in the Plan. It should be noted that the determination of Opt-out Value will differ materially from the asset allocation methodology applicable only to Benefit Suspensions, described in Section III.C., of the Plan.