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## **Insurance Commissioner Announces Court Approval of Liquidation of Penn Treaty and American Network Insurance Companies; Assures Policyholders Claims Will Be Paid by State Guaranty Funds Pursuant to State Law**

**Harrisburg, PA** – Insurance Commissioner Teresa Miller today announced the Commonwealth Court approval of petitions to liquidate Penn Treaty Network America Insurance Company and American Network Insurance Company, with policyholder claims to be paid through the state guaranty association system, subject to statutory limits and conditions.

“After a long and difficult eight-year legal process, the Court’s decision to approve the liquidation recognizes the companies’ financial difficulties are too great to be remedied, and that consumers are best protected through the state guaranty association system,” Commissioner Miller said.

Commissioner Miller said the two companies have approximately 76,000 policyholders nationwide, with 9,000 residing in Pennsylvania. More than 98 percent of Penn Treaty and American Network’s policies are long term care insurance.

Over the past several years, long term care insurance has posed significant challenges to insurers on a national level. The pricing of these policies for many insurance companies has proved to be insufficient as a result of claims greatly exceeding expectations and low investment returns. Claims have exceeded expectations due to incorrect assumptions concerning the number of policyholders who would drop their coverage and the number of policyholders who would utilize their policy benefits, as well as the cost of providing those benefits. The pricing deficiencies and resulting financial losses have resulted in many long term care insurers seeking large premium rate increases and some leaving the market.

In the case of Penn Treaty and American Network, the Pennsylvania Insurance Department determined that the magnitude of additional premium rate increases needed to remedy the companies’ financial difficulties (exceeding 300% on average) would severely harm policyholders and would not be permitted by state regulators, leaving no alternative other than to place the companies into liquidation.

“Policyholder claims will continue to be covered by the state guaranty association system pursuant to law, and policy claims will be paid subject to the applicable state guaranty association coverage limit and conditions. Policyholders should continue to file claims as they have been in the past, and must continue to pay their premiums in order to be eligible for guaranty association coverage,” Commissioner Miller said. “State guaranty associations were

created to protect state residents who are policyholders of an insolvent company that has gone out of business. In each state, other insurance companies licensed in that state pay into a guaranty fund, and that money is used to cover claims when a company becomes insolvent and is liquidated.”

Under Pennsylvania law, claims of policyholders residing in Pennsylvania are paid up to the maximum amount provided for by the policy, subject to the guaranty association cap of \$300,000. The liquidator and the court will determine whether any payments for claims above the cap can be made from the companies’ remaining assets to any policyholders who may have claims in excess of the cap. Actuarial models show about 50 percent of policyholders are expected to have claims in excess of what will be paid by the guaranty association covering their policies.

Guaranty associations may seek to increase premiums. Any guaranty association rate increase will be subject to approvals required by law which, depending on the state, may include a review process similar to rate requests filed by long term care insurers with state insurance regulators.

Policyholders should continue making premium payments to the following address: Penn Treaty, P.O. Box 70257, Philadelphia, PA 19176-0257. Claim submissions should continue to be sent to: Penn Treaty, P.O. Box 7066, Allentown, PA 18105-7066. Policyholders with questions about policies, claims, or related to liquidation should call Policyholder Services at 1-800-362-0700.

Consumers can also contact the Insurance Department Bureau of Consumer Services at [www.insurance.pa.gov](http://www.insurance.pa.gov), or 1-877-881-6388.

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