

Notice of Pending Insurer Liquidations & Future Assessments

TO: Guaranty Association Member Companies
FROM: NORTH CAROLINA LIFE & HEALTH INSURANCE GUARANTY ASSOCIATION
DATE: July 29, 2016
RE: **Penn Treaty/ANIC Liquidations & Likely Assessments**

On July 27, 2016, petitions were filed by the receiver in the Commonwealth Court of Pennsylvania seeking the liquidation of Penn Treaty Network America Insurance Company (Penn Treaty) and its wholly owned subsidiary, American Network Insurance Company (ANIC). If these petitions are approved by the Court, the liquidations will trigger the life and health insurance guaranty associations in every state (except New York) and in the District of Columbia.

Penn Treaty and ANIC wrote primarily long-term-care (LTC) insurance, along with a small number of other health insurance policies. As a result, **guaranty association member companies that write health insurance will be assessed to fund the associations' obligations to covered Penn Treaty/ANIC policyholders.** Guaranty associations will be providing coverage for more than \$3 billion in policy benefits for approximately 78,000 policyholders, and this coverage will continue for decades.

In 2009 NOLHGA formed the Penn Treaty/ANIC Task Force, made up of representatives from state guaranty associations likely to be affected by the liquidation orders. The receiverships have been in litigation in the intervening years, and the Task Force has used that time to develop a plan to allow affected guaranty associations to respond to and satisfy their statutory obligations resulting from the liquidation orders. This will require the administration of the approximately 78,000 policies still in force nationwide and pending (and future) claims. There are approximately 2,600 policies in North Carolina.

The Task Force's contingency planning has taken place in the context of protracted and contentious court proceedings among other parties who have raised difficult—and in some cases unique—legal, actuarial, and financial issues. The Task Force is confident that the plan that will be put in place—developed in conjunction with members of the health and life insurance industries, as well as guaranty system professionals—is the most cost-effective and efficient method of fulfilling the guaranty associations' obligations.

As noted above, the guaranty associations will be responsible for more than \$3 billion in covered benefits. If the companies are placed in liquidation, our life and health insurance guaranty association and other affected state guaranty associations will likely issue assessments to their member companies in due course. These assessments would be based on the member company's market share in health insurance in each state. The attached chart offers a preliminary breakdown of liability amounts on a state-by-state basis. This chart will be updated as more information becomes available.

The guaranty associations' response to the Penn Treaty/ANIC liquidations will be a large undertaking, but NOLHGA and its member guaranty associations have successfully handled more than 100 insolvencies in their 30+-year history, including large, multi-billion-dollar cases. One of the main keys to this success has always been thorough preparation. The Penn Treaty/ANIC Task Force has prepared extensively in advance of these anticipated liquidation orders.

If you have any questions regarding the Penn Treaty/ANIC liquidations, you may contact this association at nclifehealth@bellsouth.net or Sean McKenna, NOLHGA's Director of Communications, at smckenna@nolhga.com. You can also find current information about the liquidations on the Penn Treaty website (<http://www.penntreaty.com/Rehabilitation.aspx>) and the NOLHGA website (<https://www.nolhga.com/companies/public/main.cfm/NAICCode/63282/GAID/100>), which includes an FAQ document with more details about the receiverships and the guaranty associations' plans.