

Brief Summary For Advocates

Penn Treaty Network America Insurance Company (PTNA) *¹ and American Network Insurance Company (ANIC)
Liquidation
March 3, 2017

Background

PTNA and ANIC (collectively “Penn Treaty”) sold long term care insurance nationwide during the 1980’s until 2008. In 2009, the companies were placed in rehabilitation under state supervision in Pennsylvania due to concerns about the ability of the companies to meet their obligations to policyholders. Pennsylvania, the domiciliary state, filed a request with the court to liquidate the companies in October 2009. After several years of court proceedings, liquidation orders were issued March 1, 2017 by the court.

When a liquidation order is issued with a determination that a company is insolvent, state guaranty association (“GA”) coverage is triggered. When guaranty association laws are triggered, the state guaranty associations assume responsibility for policy liabilities up to a maximum benefit coverage limit specified by state law. The GA’s assess fees on the insurance industry in each of their states to assist the GA’s paying the claims of the insolvent company for each policyholder in their state.

Running the Business During the Liquidation Process

Penn Treaty’s business has been operating under the supervision of the Pennsylvania Insurance Department since 2009. Management of the administration of the companies’ policies will continue using Penn Treaty’s existing computer systems, policy/claim records and staff. A service agreement has been established with Penn Treaty on behalf of the guaranty associations for the ongoing administration of the policies.

The Penn Treaty receivership team has been in written communication with policyholders during the legal process leading up to this liquidation. The Penn Treaty team educated Penn Treaty’s call center staff to respond to questions from policyholders about their policies and any legal processes that were occurring. Penn Treaty continues to administer the company’s business including premiums, claims, and policyholder notices and communications.

Process of Liquidation and Policyholder Notices

A liquidation order will trigger a series of notices that will be sent to policyholders. Each policyholder in each state will receive a notice of the liquidation from Penn Treaty informing them of the liquidation of the companies. That letter will include a series of Frequently Asked Questions (FAQ’s) to help them understand the liquidation process and will include the call center’s 800 number for questions. A second notice about the liquidation will come from National Organization of Life and Health Guaranty Associations (NOLHGA) and their covering state GA, and will also include an FAQ insert. This second notice will again encourage policyholders to call the Penn Treaty call center with questions. **(1-800-362-0700)**

Along with notices to policyholders, the public is likely to see stories in the press about these insolvencies; it’s the largest in the history of this type of insurance. At the same time that notices are being sent to policyholders, the Pennsylvania Insurance Commissioner will be sending out a press release, as will NOLHGA.

Helping Consumers

Preserving coverage for these older policyholders (average of 79 years) and ensuring that the legal process of liquidation is not misinterpreted are the primary concerns. The key messages for policyholders are:

1. Your policy is still in-force and valid. You still have long-term care coverage.
2. If you pay your premiums, your policy will stay in-force subject to certain coverage limits. Keep paying the premium.
3. If you need long-term care, your policy will pay benefits if you meet the policy requirements. Claims will be paid under the terms of your policy and up to the amount allowed by your state’s Guaranty Association.
4. If you are already receiving benefits, your benefits will continue up to the policy limit or the limit allowed by your state’s Guaranty Association, whichever is lower.

It’s likely that at least some policyholders or family members will be reaching out for help to your group or others.

Please refer questions you aren’t able to answer to the Penn Treaty call center at 1-800-362-0700. Encourage policyholders to maintain contact and return for future help if needed.
