Guaranty System to Provide Safety Net for Policyholders of Penn Treaty/American Network Insurance Companies

HERNDON, VA (March 1, 2017) — State life and health insurance guaranty associations, which continue coverage for policyholders of failed life or health insurance companies, will service the policies of thousands of policyholders of Penn Treaty Network America Insurance Company (Penn Treaty) and its subsidiary, American Network Insurance Company (ANIC). The companies, which are based in Pennsylvania and primarily wrote long-term-care insurance, were placed in liquidation by the Commonwealth Court of Pennsylvania on March 1, 2017.

“Guaranty system obligations arising from the Penn Treaty/ANIC liquidations will approach $3 billion and will be paid out when due over decades,” said Peter G. Gallanis, President of the National Organization of Life & Health Insurance Guaranty Associations (NOLHGA). “NOLHGA and its member guaranty associations have successfully handled multi-billion-dollar insolvencies in the past, and this case will be no different. Working together with the Pennsylvania Insurance Department and the insurance industry, we have developed a plan to ease the transition for policyholders and ensure that all guaranty association–protected benefits are paid promptly.”

Penn Treaty and ANIC were placed in rehabilitation (a form of regulatory oversight) by the Pennsylvania Court on petition of the Pennsylvania Department of Insurance in January 2009. Shortly afterward, NOLHGA (which coordinates the efforts of state life and health insurance guaranty associations in all 50 states and the District of Columbia) formed a task force made up of representatives from guaranty associations potentially affected by the Penn Treaty/ANIC liquidations. The task force has engaged in extensive planning since that time to ensure coverage for Penn Treaty/ANIC’s approximately 75,000 policyholders even as litigation related to efforts to liquidate the companies made its way through the Pennsylvania court system.

Penn Treaty/ANIC policyholders do not have to register for guaranty association coverage—protection for covered contracts (such as long-term-care insurance, as well as the major medical, disability, and other health insurance policies issued by Penn Treaty and ANIC) is automatic. Most claims will continue to be processed through the Penn Treaty/ANIC offices in Allentown, Pennsylvania, and policyholders who wish to continue their coverage through the guaranty associations should continue to pay their premiums.

State life and health insurance guaranty associations will honor their obligations to policyholders using a combination of assets from the estates of Penn Treaty and ANIC and assessments of healthy (financially stable) insurers that are licensed to write long-term-care and other types of
health insurance in their state. Each state guaranty association has a benefit coverage level dictated by a statute passed by its state legislature, and Penn Treaty/ANIC policyholders will receive their contractual benefits up to the maximum coverage allowed by state law.

“The life and health insurance guaranty system has successfully handled more than 100 insolvencies in its 30+-year history, and one of the keys to our success has been thorough preparation,” Gallanis explained. “We have spent considerable time preparing for the Penn Treaty/ANIC liquidations, and our member guaranty associations stand ready, as always, to honor their statutory commitments.”

About NOLHGA: The National Organization of Life & Health Insurance Guaranty Associations (NOLHGA) is a voluntary association made up of the life and health insurance guaranty associations of the 50 states and the District of Columbia. State guaranty associations provide coverage (up to the limits set forth in state law) for resident policyholders of insurers that have become insolvent and are licensed to do business in their state. NOLHGA assists its member associations in quickly and cost-effectively providing coverage to policyholders in the event of a multi-state life or health insurer insolvency. http://www.nolhga.com/.