



**REGULATORY ORDER NO. R 17-03**

**DIRECTOR'S APPROVAL OF ALHIGA'S RESPONSE TO INSOLVENCY OF  
PENN TREATY NETWORK AMERICA INSURANCE COMPANY**

By letter dated March 20, 2017, the Alaska Life and Health Insurance Guaranty Association (ALHIGA) has requested the approval of the Director of Insurance for ALHIGA to become a Participating Guaranty Association in a multi-state liquidation plan aimed to ensure payment of covered claims on behalf of Alaska residents arising from the insolvency of Penn Treaty Network America Insurance Company (Penn Treaty). In response to that request, the director finds as follows:

**Background**

1. Penn Treaty, a Pennsylvania domestic life and health insurer, was placed into rehabilitation by an order entered by a Pennsylvania state court dated January 6, 2009. On July 27, 2016, the Insurance Commissioner for the Commonwealth of Pennsylvania filed a petition requesting the liquidation of Penn Treaty. On March 1, 2017, the Pennsylvania state court entered an Order of Liquidation, which included an express finding that Penn Treaty is insolvent.
2. Penn Treaty's certificate of authority in Alaska was suspended by Order of the Director on January 9, 2009 based on the rehabilitation proceedings and based on a failure to meet the capital and surplus requirements of AS 21.09.070. Under order dated February 13, 2014, Penn Treaty's certificate of authority expired on January 9, 2014 because it failed to present satisfactory evidence that it met the statutory capital and surplus requirements within five years of the date of suspension. Penn Treaty also remained under rehabilitation proceedings and its certificate of authority had been revoked in three states and suspended in ten states, not including Alaska.
3. Under AS 21.79.060(d), ALHIGA is required, with approval of the Director, to take one of the following actions if a member insurer becomes insolvent:
  - (A) guarantee, assume, reinsure or provide the guarantee, assumption, or reinsurance of the covered policies of the insolvent insurer held by residents;
  - (B) assure payment to residents of the contractual obligations of the insolvent insurer;
  - (C) provide money, pledges, notes, guarantees, or other means necessary to discharge the insurer's duties under this subsection; or

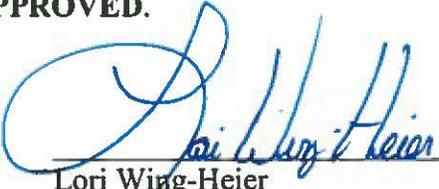
(D) with respect only to life and health insurance policies, provide benefits and coverage as required under AS 21.79.060(e).

4. Penn Treaty is a “member insurer” of ALHIGA, as defined in AS 21.79.900(10).
5. ALHIGA is a member of the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA). The NOLHGA task force dealing with Penn Treaty negotiated a Reinsurance and Administrative Services Agreement (Reinsurance Agreement) with the Penn Treaty Protected Cell of LTC Re and other parties to address the significant shortfall between Penn Treaty’s contractual obligations and Penn Treaty’s assets. At its meeting held on December 14, 2016, the Board of Governors of ALHIGA voted to become a Participating Guaranty Association in the Reinsurance Agreement. On behalf of ALHIGA, the Administrator and Counsel of ALHIGA signed a Participation Certificate dated December 14, 2016.
6. ALHIGA meets its statutory obligation under AS 21.79.060 by becoming a Participating Guaranty Association under the Reinsurance Agreement, thereby providing for the guarantee, assumption, reinsuring or providing the guarantee, assumption, or reinsurance of the covered policies of Penn Treaty.

#### **Order**

For the reasons set out above, ALHIGA’s request to become a Participating Guaranty Association in the Reinsurance Agreement is **APPROVED**.

This order is effective March 28<sup>th</sup>, 2017.

  
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Lori Wing-Heier  
Director