

MEMORANDUM



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TO: Charlie Richardson

FROM: Vincent Bodnar

DATE: April 13, 2012

RE: **Penn Treaty Network American Insurance Company and
American Network Insurance Company
Estimate of Potential Guaranty Association Liabilities**

The attached exhibit summarizes the current estimates developed by DaVinci Consulting Group LLC (“DaVinci”) of the covered obligations of Penn Treaty Network America Insurance Company (“PTNA”) and American Network Insurance Company (“ANIC”) in a post-liquidation scenario as of December 31, 2011 for its long-term care insurance policies.

The values reflect estimates of potential Guaranty Association (“GA”) liabilities if the companies are placed into liquidation. The gross liabilities are based on DaVinci’s best estimate of the covered gross premium valuation reserve, claim reserve and unearned premium reserves prior to the estimated asset transfer from the estate. The estate assets are based on the year-end 2011 market value of the assets held by PTNA and ANIC. They are assumed to be allocated to the covered liabilities of each policyholder using allocation percentages developed from a year-end 2010 analysis that was prepared by the Rehabilitator’s advisors. These assets are assumed to be subrogated to each policyholder’s respective GA. The net liabilities are the gross liabilities less the estate assets.

Net liabilities for business other than long-term care are currently estimated at \$1.7 million nationwide.

This information is subject to the Common Interest and Confidentiality Agreement with the Rehabilitator and should be maintained as confidential by the GAs. The assumptions and methods used to calculate these liabilities are summarized in our April 11, 2012 presentation to NOLHGA. The analysis is subject to the distribution restrictions, limitations and reliances that are described in that report.

Please feel free to contact Vince Bodnar if you have any questions. He can be reached by phone at 215-343-5876 or by email at Vince.Bodnar@DaVinciActuaries.com.

Penn Treaty Network America Insurance Company and American Network Insurance Company
Summary of Guaranty Association Liabilities as of 12/31/2011
Based on DaVinci Analysis as of 4/11/2011

Guaranty Association	PTNA			ANIC			PTNA + ANIC		
	Gross Covered Liabilities	Estate Assets	Net Covered Liabilities	Gross Covered Liabilities	Estate Assets	Net Covered Liabilities	Gross Covered Liabilities	Estate Assets	Net Covered Liabilities
Alabama	8,303.8	1,481.4	6,822.4	304.6	124.7	180.0	8,608.4	1,606.1	7,002.4
Alaska	1,007.9	86.9	921.0	0.0	0.0	0.0	1,007.9	86.9	921.0
Arizona	124,388.8	27,715.9	96,672.9	752.3	230.3	522.0	125,141.1	27,946.2	97,194.9
Arkansas	6,470.9	1,532.1	4,938.8	163.0	99.1	63.9	6,634.0	1,631.2	5,002.8
California	474,181.2	109,650.2	364,531.0	2,620.1	444.6	2,175.6	476,801.3	110,094.7	366,706.6
Colorado	46,247.4	10,294.3	35,953.2	13,947.9	3,677.4	10,270.5	60,195.3	13,971.7	46,223.6
Connecticut	5,265.3	1,248.6	4,016.7	28,774.8	8,135.1	20,639.7	34,040.1	9,383.7	24,656.4
Delaware	2,943.5	741.6	2,201.9	355.3	118.7	236.6	3,298.8	860.4	2,438.5
DC	436.8	84.6	352.2	-52.4	23.6	-76.0	384.4	108.2	276.2
Florida	408,610.4	87,519.1	321,091.4	13,015.4	3,236.4	9,779.0	421,625.8	90,755.5	330,870.3
Georgia	73,202.0	12,944.3	60,257.6	794.9	276.7	518.2	73,996.9	13,221.1	60,775.8
Hawaii	3,543.1	979.2	2,563.8	-17.5	0.9	-18.4	3,525.6	980.2	2,545.4
Idaho	8,844.8	1,905.3	6,939.5	106.2	34.0	72.2	8,951.0	1,939.3	7,011.7
Illinois	105,035.9	23,937.6	81,098.3	155.4	21.4	134.0	105,191.4	23,959.0	81,232.4
Indiana	25,344.6	5,306.7	20,037.9	137.6	14.0	123.6	25,482.2	5,320.7	20,161.6
Iowa	81,778.6	16,050.8	65,727.8	0.0	0.0	0.0	81,778.6	16,050.8	65,727.8
Kansas	0.0	0.0	0.0	12,391.9	2,320.7	10,071.2	12,391.9	2,320.7	10,071.2
Kentucky	30,091.6	6,708.2	23,383.4	28.5	14.7	13.8	30,120.0	6,722.8	23,397.2
Louisiana	13,809.9	2,524.0	11,285.9	289.3	48.9	240.4	14,099.2	2,572.9	11,526.3
Maine	0.0	0.0	0.0	1,346.1	351.7	994.4	1,346.1	351.7	994.4
Maryland	32,991.9	6,984.3	26,007.6	1,588.4	507.7	1,080.6	34,580.2	7,492.0	27,088.2
Massachusetts	0.0	0.0	0.0	794.2	182.1	612.1	794.2	182.1	612.1
Michigan	38,238.7	9,169.5	29,069.2	0.0	0.0	0.0	38,238.7	9,169.5	29,069.2
Minnesota	6,163.4	1,462.7	4,700.7	150.5	39.7	110.8	6,313.9	1,502.4	4,811.5
Mississippi	8,904.1	1,827.1	7,077.0	2.8	5.2	-2.3	8,906.9	1,832.2	7,074.7
Missouri	13,693.9	3,586.8	10,107.1	152.1	43.3	108.8	13,846.0	3,630.1	10,215.9
Montana	4,286.8	1,134.4	3,152.5	30.9	9.8	21.1	4,317.7	1,144.2	3,173.5
Nebraska	33,691.9	8,467.7	25,224.2	85.0	30.8	54.2	33,776.9	8,498.4	25,278.5
Nevada	6,325.6	1,099.0	5,226.6	31.5	9.2	22.3	6,357.1	1,108.2	5,248.9
New Hampshire	6,455.7	1,418.1	5,037.5	302.3	85.2	217.1	6,758.0	1,503.4	5,254.6
New Jersey	0.0	0.0	0.0	201,943.6	54,796.2	147,147.4	201,943.6	54,796.2	147,147.4
New Mexico	10,211.3	1,986.5	8,224.8	181.7	40.5	141.2	10,392.9	2,027.0	8,366.0
North Carolina	101,892.1	22,222.2	79,669.9	2,503.8	724.6	1,779.2	104,395.9	22,946.8	81,449.1
North Dakota	3,280.3	660.8	2,619.5	0.0	0.0	0.0	3,280.3	660.8	2,619.5
Ohio	35,235.5	8,804.8	26,430.7	60.9	30.0	30.9	35,296.4	8,834.8	26,461.6
Oklahoma	13,434.0	2,968.7	10,465.3	253.4	63.2	190.2	13,687.4	3,031.9	10,655.5
Oregon	9,926.7	2,262.4	7,664.3	5.5	7.8	-2.3	9,932.2	2,270.2	7,662.0
Pennsylvania	320,520.4	70,095.6	250,424.7	10,928.9	2,714.8	8,214.1	331,449.3	72,810.4	258,638.8
Rhode Island	1,985.9	432.1	1,553.8	359.9	73.5	286.4	2,345.8	505.6	1,840.2
South Carolina	17,660.9	3,968.7	13,692.2	1,332.5	328.1	1,004.4	18,993.4	4,296.7	14,696.6
South Dakota	34,340.7	9,086.6	25,254.0	18.8	47.5	-28.7	34,359.5	9,134.1	25,225.4
Tennessee	49,542.0	9,226.8	40,315.2	1,847.9	439.0	1,408.9	51,389.9	9,665.8	41,724.1
Texas	145,204.8	32,328.3	112,876.5	436.2	105.0	331.1	145,641.0	32,433.3	113,207.6
Utaha	12,464.4	2,932.5	9,532.0	18.7	5.9	12.8	12,483.1	2,938.3	9,544.8
Vermont	11,227.2	1,963.2	9,263.9	145.4	53.1	92.3	11,372.6	2,016.4	9,356.3
Virginia	147,437.6	36,054.0	111,383.6	57,717.8	23,697.3	34,020.5	205,155.4	59,751.3	145,404.1
Washington	130,295.8	25,837.5	104,458.3	163.7	18.4	145.4	130,459.5	25,855.9	104,603.6
West Virginia	0.0	0.0	0.0	4,534.0	1,657.8	2,876.2	4,534.0	1,657.8	2,876.2
Wisconsin	19,472.5	4,371.8	15,100.7	0.0	0.0	0.0	19,472.5	4,371.8	15,100.7
Wyoming	1,922.7	547.0	1,375.8	0.0	0.0	0.0	1,922.7	547.0	1,375.8
<u>Undetermined</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	2,636,313.2	581,609.8	2,054,703.4	360,703.9	104,888.5	255,815.4	2,997,017.1	686,498.3	2,310,518.8