

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Penn Treaty Network America : No. 1 PEN 2009
Insurance Company in Rehabilitation :

**APPLICATION FOR APPROVAL OF THE PLAN OF REHABILITATION FOR
PENN TREATY NETWORK AMERICA INSURANCE COMPANY**

Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his capacity as statutory Rehabilitator of Penn Treaty Network America Insurance Company (“Penn Treaty”), hereby applies to this Court for approval of a Plan of Rehabilitation for Penn Treaty, and in support thereof, avers the following:

1. In the exercise of his discretion as statutory Rehabilitator and pursuant to 40 P.S. §221.16(d), and pursuant to the Order of this Court that the Rehabilitator develop and submit a plan of rehabilitation for Penn Treaty, the Rehabilitator has developed a proposed Plan of Rehabilitation for Penn Treaty (the “Plan”), which is set forth in the Disclosure Statement and Plan of Rehabilitation (including all attachments and exhibits thereto, the “Plan Documents”) submitted herewith as Exhibit A.

2. In addition to the definitions set forth in this Application, the Rehabilitator incorporates by reference the definitions set forth in the Plan Documents with respect to the capitalized terms in this Application.

3. Significant features of the Plan (as further described therein) include the following:

- a) the temporary modification of certain features of Penn Treaty LTC policies, taking into account the relative adequacy of current policy premiums for the benefits provided by such policies, implemented by the suspension of Penn Treaty’s obligations to make payments in accordance the pre-modified policy features;
- b) the types of modifications may include, among other things, increased Elimination Periods, reduced Maximum Benefit Periods, reduced or

eliminated Inflation Protection, application of benefit triggers consistent with those required of a Tax Qualified policy and reduced Maximum Daily Benefits;

- c) an opportunity for policyholders to opt-out of the Plan and receive a paid-up policy with reduced benefits or cash in return for foregoing all other rights against Penn Treaty;
- d) the suspension of payments of commissions to Agents, premium taxes and Guaranty Association assessments;
- e) the potential to restore suspended payments in the event the financial condition of the company permits; and
- f) the development of other sources of revenue, such as the sale of certain assets and of administrative services.

4. By this Application, the Rehabilitator seeks approval of the terms, conditions, and provisions of the Plan.

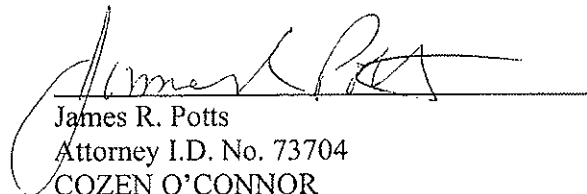
5. The Rehabilitator reserves the right to amend or supplement the Plan Documents and this Application and to proffer additional evidence and arguments in support of the Plan at any hearing thereon or by written submission.

6. Approval should issue only after due notice, opportunity to object, and a hearing on the Plan. A separate Application for Approval of a Form of Notice of this Application and for Scheduling Order is being filed by the Rehabilitator.

7. The Plan satisfies the requirements of Article V of the Insurance Department Act of 1921 and represents a sound exercise of the Rehabilitator's broad discretion.

WHEREFORE, the Rehabilitator respectfully requests that the Court, in accordance with 40 P.S. §221.16(d), enter an order approving and confirming the Plan.

Respectfully submitted,



James R. Potts
Attorney I.D. No. 73704
COZEN O'CONNOR
1900 Market Street
Philadelphia, PA 19103
(215) 665-2000

Counsel for Applicant,
MICHAEL F. CONSEDINE, Insurance
Commissioner of the Commonwealth of
Pennsylvania as Rehabilitator of PENN TREATY
NETWORK AMERICA INSURANCE
COMPANY

VERIFICATION

I, Patrick Cantilo, hereby verify that the facts set forth in the foregoing application and exhibits are true and correct to the best of my knowledge, information, and belief. This statement is subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Patrick H. Cantilo

Patrick Cantilo
Special Deputy Rehabilitator

Dated: April 30, 2013

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

In Re: Penn Treaty Network America : No. 1 PEN 2009
Insurance Company in Rehabilitation :

**ORDER APPROVING THE PLAN OF REHABILITATION FOR
PENN TREATY NETWORK AMERICA INSURANCE COMPANY**

AND NOW, this _____ day of _____, 2013, upon consideration of the Application of Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his capacity as statutory Rehabilitator of Penn Treaty Network America Insurance Company ("Penn Treaty") for approval of the Plan of Rehabilitation for Penn Treaty, and any objections filed thereto, and after hearing, it is hereby ORDERED as follows:

1. This Court has original jurisdiction over proceedings to rehabilitate Penn Treaty and over all participants therein pursuant to Article V of the Insurance Department Act of 1921, 40 P.S. §221.1 - §221.63. Under 40 P.S. §221.16(d), this Court has the power to approve or disapprove a plan of rehabilitation or modify such plan and approve it as modified.
2. Penn Treaty was placed into rehabilitation by Order of this Court dated January 6, 2009.
3. The Rehabilitator filed a Disclosure Statement and Plan of Rehabilitation (including all attachments and exhibits thereto, the "Plan Documents") which included the proposed Plan of Rehabilitation for Penn Treaty (the "Plan") on April 30, 2013.
4. By Order dated _____, 2013 (the "Notice Order"), this Court directed the Rehabilitator to provide notice of the filing of the Plan Documents in the form approved thereby (the "Plan Notice") to the persons and by the means set forth in the Notice Order.
5. The Notice Order required, among other things, that objections to the Plan to be filed no later than _____, 2013 and fixed _____, 2013 as the date for the commencement of a hearing on the Plan.

6. At the hearing on the Plan, all persons having interests affected by the Plan and who complied with the Notice Order were afforded an opportunity to be heard regarding objections to the Plan.

7. Having heard the Rehabilitator's evidence in support of the Plan, having heard argument on the Plan, and having considered the objections to the Plan, this Court hereby approves the terms, conditions, and provisions of the Plan and the attachments thereto and finds the Plan to be fair and equitable and free of any abuse of the Rehabilitator's discretion. The Rehabilitator is authorized to implement the Plan and carry out any transactions contemplated by the Plan without further order of this Court.

8. All objections to the Plan are overruled.

9. All other orders, injunctions, and stays issued by this Court in this matter shall continue in full force and effect except as modified hereby.

BY THE COURT:

MARY HANNAH LEAVITT, Judge