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## Two long-term care issuers in PA to be liquidated

By Editorial Staff    Thu, Mar 2, 2017

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Petitions to liquidate two long-term care insurance issuers, Penn Treaty Network America Insurance Company and American Network Insurance Company, were approved this week by Pennsylvania's Insurance Commissioner.

Policyholder claims will be paid through the state guaranty association system, subject to statutory limits and conditions, said Commissioner Teresa Miller in a release.

More than 98% of Penn Treaty and American Network's policies are long-term care insurance. The two companies have approximately 76,000 policyholders nationwide, with 9,000 residing in Pennsylvania.

Long-term care insurance issuers ran into trouble in the past few years. According to the release:

"The pricing of these policies for many insurance companies has proved to be insufficient as a result of claims greatly exceeding expectations and low investment returns. Claims have exceeded expectations due to incorrect assumptions concerning the number of policyholders who would drop their coverage and the number of policyholders who would utilize their policy benefits, as well as the cost of providing those benefits. The pricing deficiencies and resulting financial losses have resulted in many long-term care insurers seeking large premium rate increases and some leaving the market."

State regulators say they would not have approved a request by the companies to raise premium rates (by over 300% on average), so the state put them into liquidation as the only remaining alternative.

"Policyholders should continue to file claims... and pay their premiums in order to be eligible for guaranty association coverage," Commissioner Miller said. In each state, insurance companies licensed in that state pay into a guaranty fund. The fund is used to cover claims when a company becomes insolvent and is liquidated.

Actuarial models predict that about 50% of policyholders of the two companies will have

claims in excess of what the guaranty association will pay. Policyholders in Pennsylvania are paid up to the maximum amount provided for by the policy, subject to a cap of \$300,000.

The liquidator and the court will determine whether any payments for claims above the cap can be made from the companies' remaining assets to any policyholders who may have claims in excess of the cap.

Guaranty associations may seek to increase premiums, but any rate increase would be subject to approvals required by law which, depending on the state, may include a review process similar to rate requests filed by long term care insurers with state insurance regulators, the release said.

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