

South Dakota Department of Labor & Regulation
123 W. Missouri Avenue
Pierre, SD 57501
dlr.sd.gov/insurance

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Media Contact: Dawn Dovre, 605-773-3094

Penn Treaty Liquidation Impacts South Dakota Policyholders

PIERRE, S.D. – The South Dakota Department of Labor and Regulation Division of Insurance received notice Penn Treaty Network America Insurance Company (“Penn Treaty”) has been placed into liquidation due to insolvency.

Penn Treaty is domiciled in Pennsylvania and specialized in offering long-term care policies to consumers nationwide.

The company was placed into rehabilitation, and petitions were filed for liquidation in Oct. 2009. These liquidation petitions were denied by the court in May 2012. On March 1, 2017, Penn Treaty was placed in court-approved liquidation. The Pennsylvania Commissioner of Insurance Teresa Miller was appointed liquidator.

State Insurance Director Larry Deiter says the liquidation impacts over 75,000 policyholders nationwide, including approximately 1,200 South Dakotans.

“Long-term care insurers throughout the nation have faced significant challenges over the past several years. Pricing of these policies for many insurance companies has proven to be insufficient based on incorrect initial assumptions regarding coverage lapses, increased care costs, benefit utilization and low investment returns,” said Deiter. “These deficiencies and their associated financial losses caused many long-term care insurers to leave the market or seek large premium rate increases.”

Deiter said in Penn Treaty’s situation, the Pennsylvania Insurance Department had no alternative other than to place the company into liquidation. “The court-approved order of liquidation provides a level of protection to the affected policy holders, including the continued payment of valid claims.”

The South Dakota Life and Health Insurance Guaranty Association fund, established by SDCL Chapter 58-29C, provides a safety net to eligible Penn Treaty claimants. The fund is designed to protect policyholders in the event of insurance company insolvency.

Policyholders must continue to pay premiums on Penn Treaty policies in order to remain eligible for guaranty association coverage. The liquidator or the South Dakota Life and Health Insurance Guaranty Association will contact policyholders with further instructions.

“The liquidator is in the process of notifying all policy holders, claimants and other interested parties by mail to outline the procedure to file claims and receive information on the liquidation status,” said Deiter. “It is very important that policyholders complete and return the proof of claim form they receive in the mail.”

Additional information on the liquidation order can be accessed at dlr.sd.gov/insurance.

Anyone with questions is encouraged to call the guaranty association at 605-336-0177 or the Division of Insurance at 605-773-3563.