

Pennsylvania Insurance Department LTC Reduced Benefit Options (RBO) Letter Best Practices

I. Background

Throughout the rehabilitation and liquidation period (2009 – 2017), Penn Treaty conducted focus groups and telephonic interviews with policyholders to evaluate potential rehabilitation plan options including necessary benefit and rate changes. Communication materials associated with implementation of potential plans of rehabilitation were also reviewed with policyholders. The results of this research provided insight into policyholder preferences, communication methods and the level of benefit reductions/rate increases policyholders found acceptable.

Policyholders generally were unable to recall specific policy or rehabilitation plan details but rather indicated that they originally purchased their policy for security reasons. They intended their policies to serve as a safety-net to relieve financial burdens on family, protect personal assets and provide more/better options for care in the event of a prolonged illness. The policyholders understood that Penn Treaty had financial issues, but few understood how rehabilitation would impact their policy coverage. The primary company communications were read and absorbed by policyholders, including letters and newsletters. Secondary sources of information were the Company's website, customer service representatives and insurance agents.

In the early years of rehabilitation, policyholders were unable to explain rehabilitation or its impact on their policy coverage. As communications increased and additional information was provided to the policyholder specific to their policy, their understanding of the rehabilitation and its impact on their coverage increased significantly. Policyholders were engaged, asked thoughtful questions and generally understood the decisions required of them. Policyholder calls fell into three general categories: comfort reassurance calls, specific questions related to materials and hypothetical questions regarding the court or rehabilitation process. Over time, the primary reason for calls evolved to asking specific questions demonstrating an understanding of the rehabilitation and liquidation impact on their policies.

The research projects engaged policyholders and their feedback regarding policy provisions, reduced benefit options, rate increases and communications enabled Penn Treaty to experience low customer complaint levels and to use the research findings in multiple court filings. Policyholders were appreciative and grateful that their opinions were heard by the company, the court, and the Insurance Commissioner through research initiatives.

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II. Policyholder Research

Multiple policyholder focus groups were conducted among policyholders between the ages of 65 and 85 in groups based on policy benefits. Policyholders with unlimited benefits were grouped separately from policyholders with limited benefits to determine the reduced benefit options found acceptable by varying participants.

Telephonic survey interviews were conducted at several key decision points in the rehabilitation. Policyholders were asked about their awareness of Rehabilitation Plans, interest in continuing their policy and feedback on proposed benefit reductions and rate increases.

A market research simulation test was conducted to evaluate policyholder elections associated with the "Good Bank/ Bad Bank" rehabilitation concept. Each research project included standardized research into policyholder comprehension of rehabilitation, rehabilitation plan details and their overall interest in retaining the policy.

Each research project included randomly selecting policyholders. Penn Treaty partnered with an outside research firm to ensure statistically relevant outcomes and objectivity.

III. Policyholder Elections Experience

- When presented with multiple options for benefit reductions, the most acceptable benefit reductions were a change from non-tax qualified to tax-qualified benefit triggers, and extending the length of elimination periods.
- Respondents were unwilling to accept the removal of assisted living benefits. Those with only home health care coverage were indifferent to the removal of this benefit, highlighting again that policyholders react to their specific coverage situation.
- A reduction in the maximum daily benefit was ranked very low by policyholders, and only as a last option to keep their policy affordable.
- A freeze or reduction of the inflation rider was perceived as acceptable by those policyholders with this benefit in their policy.
- Telephonic survey participants ranked the benefit reductions in similar order as focus group participants. Although the acceptability was approximately 25%, the most acceptable benefit reduction was a maximum benefit reduction, followed by

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non-tax qualified policy change to tax-qualified benefit triggers, increase of elimination period and inflation protection reduction.

- Rate increase tolerance varied but approximately half of participants would be willing to pay 25% and those identifying with a household income exceeding \$75,000 were more willing to pay a higher rate increase.
- When presented with three options including a policy cap similar to the GA Coverage Limit, benefit reductions or rate increases, 51% preferred the GA Coverage Limit and 34% elected benefit reductions.
- The cash buy-out option was presented and approximately 20% would consider a one-time cash payment or a combination of cash and coverage.

IV. Factors Affecting Policyholder Elections

- Policyholders willingness to accept benefit reductions or rate increases varied greatly based on individual plan details. For example, there was a clear difference between the lifetime group's perceptions and the other limited benefit groups. Those with high maximum benefit periods are satisfied with more flexible options while those with lower maximum benefit periods were hesitant to reduce benefits significantly.
- While evaluating benefit reduction options, the majority of respondents were opposed to the removal of coverage for assisted living and reduction of daily benefit amounts. This was especially true for those with limited policies as they had low benefit amounts already.
- Income was a factor in decision making as those on a fixed income would be unable to support a rate increase and would prefer a benefit reduction. Higher income policyholders often chose a rate increase over benefit reduction as they valued coverage and could self-insure for higher elimination periods.
- Many policyholders recommended that choices with less economic value and lower maximum lifetime benefits should be removed from the policyholder options. They were concerned this may create an environment for policyholders to make a bad decision, create confusion associated with the selection process and raise suspicions about the company's intentions.

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V. Best Practices Guidelines

- Policyholders valued their LTC policy as protection and security. It represented a promise to their spouse and children that they had coverage if they needed LTC. When designing communications, convey as much empathy for their situation as possible and design communications to ensure policyholders that they will not be dropped under the new plan and coverage will continue for them.
- The clarity of language in communications material was universally appreciated by policyholders. Respondents felt that sample communications were well written clearly stated, informative and not overly laden with potentially confusing "legalese." Recommendations for communications include the engagement of a Plain English expert and/or a communications expert specializing in communicating to seniors to provide feedback on documents. In the event that more legal detail is required, include a plain-English translation or Q&A.
- Create different buckets of policies when devising a strategy for implementing benefit reductions/rate increases. Customize the reductions to each plan type to make the Rehabilitation Plan as palatable as possible for policyholders.
- Policyholders responded best to information on how the Rehabilitation Plan would affect their individual policy, vs. generic hypothetical information. Many policyholders found it difficult to make decisions without policy-specific information. Communications and research should include policy-specific information to individual policyholders.
- Policyholders related well to communications that were easy to understand and well-written. Definitions of important terms were viewed as a valuable addition and something that should be included in complex mailings. They expressed enhanced understanding when the explanations were merged into the body of the notice booklet. Policyholders preferred a cover letter that summarized the purpose of the mailing, enclosures and any required action. Details on additional information could be included in a Q&A.
- Focus on communicating essential information to make the requested decision. Drafting a lengthy complex legal document may confuse policyholders and they will be unable to analyze the key information and data to make the decision required for their policy.
- Use a value or numeric indicator to assist the policyholder with comparisons of premium and benefits that may not be easily compared by the policyholder.

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Value Indicator—a number that indicates the value of expected benefits in relation to the amount of premiums. It shows how many dollars you are expected to receive in benefits for each dollar you pay in annual premiums. A higher Value Indicator generally indicates a better economic value for you. The present-day amount of dollars that the insurer is expected to pay on a policy in the future is the *projected value*. The Value Indicator is calculated by dividing this projected value by the annual premium.

Example—An option has a Value Indicator of 16.45. This means that, on average, a policyholder is expected to receive \$16.45 in benefits for every dollar he or she pays in annual premium. This option has a greater economic value than one with a Value Indicator of 6.80.

- Election Response Format- policyholders preferred a chart with necessary information, such as premium, options, coverage, etc. to make their selection.
- Be succinct. Ask questions and provide answers for commonly asked questions.
- Indicate clearly when the response is required and what will happen if no response is received by the due date.
- Call Center training and scripting is essential and should be a significant part of the project plan. Representatives need to be able to answer questions in plain English and direct policyholders to the answer in the booklet or letters easily. Policyholders state they consider calling the company approximately 15% of the time and about 30% of policyholders actually make a call to the Call Center.
- Policyholders say they need some time to read the packet and properly understand all of the material. Many seek advice from a trusted source such as friend/family member, financial advisor, lawyer, etc. Most policyholders feel thirty days would be a reasonable timeframe. It is recommended that enough time for individual investigation and advice be built into the timeline and thirty days was deemed acceptable to make a decision and reply to the company.
- Limit the number of choices on the selection form to avoid choices that are not advantageous for policyholders and limit the number of items for the policyholder to review.
- Envelopes with a message about insurance or other company indicator was important, especially if the mailing comes in a large envelope. They placed high value on company identification and response required. Participants preferred

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the use of “Now” rather than “Must” to convey urgency.

VI. Resources and Sample Letters

- Policyholder Communications Review Process- A robust process was established at Penn Treaty for developing policyholder communications, including comprehensive internal procedures as well as the use of external resources. All communications to senior-aged policyholders are produced using a standard development and review process, with a goal of producing communications that are clear, consistent, and effective.
- Two sample packets with election forms for a reduced benefit option developed by Penn Treaty for research purposes.

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Penn Treaty Policyholder
Communications Review Process

Penn Treaty

Policyholder Communications Review Process

Penn Treaty has developed a robust process for developing policyholder communications, including comprehensive internal procedures as well as the use of external resources. All communications to our senior-aged policyholders are produced using a standard development and review process, with a goal of producing communications that are clear, consistent, and effective.

1. Internal Communication Review Process:

- a. **Project Management Approach** - Penn Treaty employs a project management approach to ensure that communications are produced in a timely and efficient manner.
- b. **Internal Review** - Communications are reviewed, approved and logged by an internal Communications Committee with representatives from the company's operations, legal and management areas to ensure ease of comprehension, consistency, clarity and accuracy. Established written communication guidelines (including standardized definitions and formatting) are used to develop and review communications.
- c. **Call Center Training** - Call Center phone representatives receive weekly training to stay up-to-date on all policyholder communications. Communications materials are extensively reviewed with Call Center phone representatives so they are well prepared to respond to policyholder calls.
- d. **Call Monitoring** - Calls and feedback from policyholders are closely monitored by Penn Treaty management to assess the effectiveness of communications. The monitoring process requires that all calls are recorded and categorized.
- e. **Quarterly Customer Satisfaction Surveys (2009 - present)** - Each quarter, 1,200 policyholders are randomly selected to receive customer satisfaction surveys. More than 92% of survey respondents have said they are satisfied that written communications from Penn Treaty are clear and understandable.

Additional levels of review have been developed and implemented to specifically address rehabilitation and liquidation communications due to (i) the complex nature of the information; (ii) the importance of policyholders having a good understanding how their coverage will be affected; and (iii) the goal to minimize policyholder anxiety.

2. Enhanced Process for Communications Related to Rehabilitation/Liquidation:

- a. **Engage Consultants to Help Develop Materials** - Penn Treaty has engaged communications professionals to help develop and review materials related to rehabilitation. These experts include a Plain English Writing Expert (a court-certified writing expert specializing in preparing legal documents in accordance with Plain English standards), and an LTCI/Senior Audience Expert. Partnering with these consultants helps to ensure that:
 - Communications are direct and specific about what action may be required by policyholders and enable policyholders to make informed decisions.

Penn Treaty Policyholder Communications Review Process

- Materials use plain, easily understood and non-technical language, avoiding insurance terminology and legal jargon.
 - Materials use appropriate fonts and font sizes and reader-friendly formatting.
- b. **Policyholder Focus Groups** – Throughout the rehabilitation process, Penn Treaty has engaged a market research firm to conduct in-person, policyholder focus groups to test draft communications with actual Penn Treaty policyholders. Focus group participants read drafts of communications and are then asked multiple questions, including whether they understood the material, what questions they had after reading it, and what decisions they would make as a result of reading the information. Comments and suggestions from focus group participants are taken into account when revising materials to improve comprehension and are incorporated into Penn Treaty’s communications guidelines.
- c. **Review Process for Rehabilitation/Liquidation Communications** – Many committees have been established to implement the various rehabilitation and liquidation projects. The following committees review all rehabilitation and liquidation communications.
- Rehabilitation Implementation Committee (RIC) - Rehabilitation and liquidation communications are subject to review by RIC. Committee members include representatives from the Pennsylvania Insurance Department, Penn Treaty management and outside counsel.
 - Penn Treaty/NOLHGA Communications Coordination Committee – This committee was formed in 2016 with the purpose of reviewing and coordinating all liquidation-related communications and to ensure coordinated and consistent messaging. This group of 11 members includes three NOLHGA representatives (including outside counsel), four state GA representatives and four Penn Treaty representatives.
- d. **Policyholder Simulation Research** – In January 2016, Penn Treaty engaged a market research firm to conduct a research study to simulate the selection process that policyholders would have faced if the Second Amended Rehabilitation Plan had been implemented. This research was requested by the Court to estimate the statistically valid size of Company A. Six thousand policyholders were randomly selected to participate in the simulation exercise which included the use of a selection booklet and selection form that explained the options available to policyholders and guided them through the decision-making process. Research was conducted after policyholders participated in the simulated selection process. This post-simulation research indicated policyholders clearly understood the communications material and made fully informed decisions.

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Two Sample Rehabilitation Plan
Selection Booklets with
Reduced Benefit Options



tel 800.362.0700
fax 610.965.6962
www.penntreaty.com

January 4, 2016

«NAME»
«ADDRESS1»
«ADDRESS2»
«CITY» «ST» «ZIP»

RE: Rehabilitation Study

Dear «Name»,

As described in a letter mailed to you on December 17, we are asking for your help with a research study. The enclosed documents are samples of what could be mailed to policyholders if the proposed Rehabilitation Plan for Penn Treaty is approved.

The goal of this research study is to learn more about the choices policyholders would make when presented with the options in the proposed Rehabilitation Plan for Penn Treaty. The Pennsylvania Insurance Commissioner and Commonwealth Court will use the results of this study to evaluate the proposed Rehabilitation Plan.

Please Take the Following Actions

1. Read the enclosed sample Selection Booklet and Selection Form very carefully.
2. Decide what choice you would make if you were offered these options.
3. Complete the Selection Form by marking one box next to the option you choose.
Because this is a research study, you do not need to sign the form. Please enter the date and write your telephone number in the space indicated on the form.

[continued on back]

Penn Treaty Network America Insurance Company (In Rehabilitation)
(Penn Treaty Network America Life Insurance Company in California)
American Network Insurance Company (In Rehabilitation)

PO Box 7066 :: Allentown, PA 18105-7066

4. Return the completed Selection Form in the enclosed postage-paid return envelope, postmarked no later than **January 29, 2016**.

*We would like to stress that the documents in this packet are **only samples**, which we may or may not eventually use. By responding, **you will not be making any actual changes to your current policy**.*

We value your opinion and appreciate your participation in this study. Thank you in advance for your help.

If you have any questions, please call us at 1-800-362-0700.

Sincerely,

A handwritten signature in black ink that reads "Robert Loren Robinson". The signature is written in a cursive, slightly slanted style.

Robert Loren Robinson
Chief Rehabilitation Officer

RESEARCH STUDY SAMPLE
These documents are part of a research study. By participating in this study, you are not making any changes to your policy.



**Penn Treaty Rehabilitation Plan
Selection Booklet**

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Understanding Your Options

Under the Penn Treaty Rehabilitation Plan (the “Plan”), you have a choice about your long-term care insurance. Your options are on the enclosed Selection Form and explained in this booklet.

To help you decide, the Selection Form includes a simple chart showing your options. Please look at this chart while you read this booklet.

How are your options different?

- **The lifetime maximum.** There is a dollar limit on the total amount of benefits you can receive during your lifetime—the “Maximum Lifetime Benefit.” Each of your options could have a different lifetime maximum.

Example: If you have a Maximum Lifetime Benefit of \$375,000, once you have received that amount from your policy, your policy will be exhausted and you will receive no more benefits.

- **The annual premium.** This is the yearly amount you are charged for your insurance. Some options charge the same premium you pay now; others have a higher premium. According to the terms of your policy, there may also be future premium increases for all options. We do not know how likely or large those increases could be.

How are your options the same?

- **No change to daily benefit.** For all options, your daily benefit will remain the same as your current policy. This is the maximum amount of benefit you can receive per day (“Maximum Daily Benefit”).

Example: If you have a Maximum Daily Benefit of \$170 and receive care costing \$200 per day, you will receive \$170 in benefits and pay the remaining \$30 yourself.

- **No change to inflation protection.** “Inflation protection” is a policy feature that increases benefit amounts at regular intervals to keep up with rising care costs. If you have inflation protection, your benefits will continue to increase according to your policy.
- **No change to other policy features.** For all options, your other policy features will remain the same as your current coverage, aside from the lifetime maximum and annual premium changes explained above.

Which Company Should You Choose?

Under the Plan, your policy is assigned to Penn Treaty Network America Insurance Company (Penn Treaty Network).

- You can stay with Penn Treaty Network.

OR

- You can transfer to American Network Insurance Company (American Network).

How do the two companies differ?

- If you remain in Penn Treaty Network: Your policy will transfer to the guaranty association in your state, which will provide insurance protection (see guaranty association coverage below).
- If you transfer to American Network: Your annual premium and/or lifetime maximum benefits will change. The Plan calls for the company or its policies to be sold to another company in the future. The potential buyer is unknown at this time.

What is guaranty association coverage?

A guaranty association (GA) is an organization in each of the 50 states (and the District of Columbia) that provides protection to policyholders when an insurance company fails or does not have enough money to pay claims. This is similar to protection for consumers’ deposits when a bank fails. State laws require mandatory funding for GA coverage from the insurance industry.

If you choose to remain with Penn Treaty Network, your policy will transfer to the GA of the state where you live. You will pay your premium to and receive benefits from the GA. You can continue your GA coverage as long as you pay your premium.

In most states, GA coverage has a limit on the total lifetime amount of benefits you can receive. When you reach that limit, your GA coverage will end. GA coverage limits are established by state law and can vary from state to state. The amount of GA coverage is on your Selection Form.

What happens if you reach the GA coverage limit?

If you choose to remain with Penn Treaty Network, you will also be eligible for a limited amount of additional benefits beyond the GA coverage limit. This is called “Additional Benefit Coverage.” Once you reach the GA coverage limit, the Additional Benefit Coverage pays for benefits above the GA limit until this coverage is also fully used. The estimated amount of Additional Benefit Coverage is on your Selection Form.

Which Option Is Best for You?

Look at the Value Indicator on the Selection Form chart.

The Value Indicator on your Selection Form is a number that shows each option’s economic value. It shows how many dollars, on average, you are expected to receive in benefits for each dollar of annual premium. The actual amount of benefits received will vary by individual. The Value Indicator on the Selection Form does not reflect any possible future premium increases or your financial or personal circumstances.

The Value Indicator is calculated by dividing the “present value of future benefits” by your annual premium. The “present value of future benefits” is the present-day amount of dollars that the insurer is expected to pay in benefits on a policy in the future.

A higher Value Indicator generally means a greater economic value for you.

Example: A Value Indicator of 16.45 shows a greater economic value than a Value Indicator of 6.80.

Why are you being offered some options with a lower Value Indicator?

The Plan requires that every policyholder have a choice.

- **Choice of company.** The coverage provided for Penn Treaty Network policies has the highest economic value (as measured by the Value Indicator). But if you wish, you can choose American Network.
- **A larger lifetime maximum.** Some of your options offer a larger lifetime maximum for a higher premium. Even though this results in a lower economic value, some people may be willing to pay a higher premium in order to receive benefits for a longer time.

How Do You Indicate Your Choice?

After you have read this Selection Booklet, please:

- Choose ONE option on the enclosed Selection Form by checking the box next to it.
- Enter the date and your telephone number on the Selection Form
- Return the completed Selection Form in the enclosed postage-paid return envelope, postmarked no later than **January 29, 2016**.

PLEASE NOTE: To be included as part of this research study, your response must be postmarked by January 29, 2016. As a reminder, by participating in this study **you are not making any changes to your policy.**

THANK YOU FOR COMPLETING YOUR SELECTION FORM!

Current policy information Maximum Daily Benefit: \$179.60 Inflation Protection: Yes	Name: Sample Policyholder 1A Policy #: 123456 For all options, the maximum daily benefit, inflation protection, and other policy features are the same as your current policy. These options only affect the policy's annual premium and lifetime maximum. See the Selection Booklet and the Plan for explanations.
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	Company	Premium Increase ¹	Benefit Decrease	Annual Premium	Maximum Lifetime Benefit	Value Indicator ²	<div style="border: 2px solid black; padding: 5px; display: inline-block;"> Check ONE Box  </div>
CURRENT COVERAGE	Penn Treaty Network	----	----	\$3,782	\$376,000	22.40	
OPTION 1 (DEFAULT)	Penn Treaty Network	+ 0.0%	- 15.5%	\$3,782	\$320,000 ³	18.93	<input type="checkbox"/> 1
OPTION 2A	American Network	+ 0.0%	- 32.8%	\$3,782	\$252,000	15.04	<input type="checkbox"/> 2A
OPTION 2B	American Network	+ 25.0%	- 23.7%	\$4,728	\$287,000	13.68	<input type="checkbox"/> 2B
OPTION 2C	American Network	+ 50.0%	- 12.3%	\$5,673	\$321,000	12.77	<input type="checkbox"/> 2C
OPTION 2D	American Network	+ 75.0%	- 5.3%	\$6,619	\$356,000	12.12	<input type="checkbox"/> 2D
OPTION 2E	American Network	+ 89.5%	- 0.0%	\$7,166	\$376,000	11.82	<input type="checkbox"/> 2E

¹There may be future premium increases in all options. We do not know how likely or large they could be.

²The Value Indicator shows the value of expected benefits in relation to premium. It does not reflect any possible future premium increases or individual policyholder financial or personal circumstances.

³In Option 1, your Maximum Lifetime Benefit includes \$300,000 in Guaranty Association Coverage plus an estimated \$20,000 in Additional Benefit Coverage.

I choose the option checked above for purposes of this research study. By participating in this study, I understand I am not making any changes to my policy.

No signature required. Research study sample.

Signature _____ Date _____ Telephone Number _____

Return this form in the enclosed envelope, postmarked by **January 29, 2016**.

RESEARCH STUDY SAMPLE
These documents are part of a research study. By participating in this study, you are not making any changes to your policy.



**Penn Treaty Rehabilitation Plan
Selection Booklet**

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To help you decide, the Selection Form includes a simple chart showing your options. Please look at this chart while you read this booklet.

How are your options different?

- **The lifetime maximum.** There is a dollar limit on the total amount of benefits you can receive during your lifetime—the “Maximum Lifetime Benefit.” Each of your options could have a different lifetime maximum.

Example: If you have a Maximum Lifetime Benefit of \$75,000, once you have received that amount from your policy, your policy will be exhausted and you will receive no more benefits.

How are your options the same?

- **No change to daily benefit.** For all options, your daily benefit will remain the same as your current policy. This is the maximum amount of benefit you can receive per day (“Maximum Daily Benefit”).

Example: If you have a Maximum Daily Benefit of \$100 and receive care costing \$130 per day, you will receive \$100 in benefits and pay the remaining \$30 yourself.

- **No change to annual premium.** You currently pay no premium because you have already paid for your benefits. For all options, you will continue to pay no premium.
- **No change to inflation protection.** “Inflation protection” is a policy feature that increases benefit amounts at regular intervals to keep up with rising care costs. If you have inflation protection, your benefits will continue to increase according to your policy.

- **No change to other policy features.** For all options, your other policy features will remain the same as your current coverage, aside from the lifetime maximum changes explained above.

Which Company Should You Choose?

Under the Plan, your policy is assigned to Penn Treaty Network America Insurance Company (Penn Treaty Network).

- You can stay with Penn Treaty Network.

OR

- You can transfer to American Network Insurance Company (American Network).

How do the two companies differ?

- If you remain in Penn Treaty Network: Your benefits will remain the same as your current coverage. Your policy will transfer to the guaranty association in your state, which will provide insurance protection (see guaranty association coverage below).
- If you transfer to American Network: Your lifetime maximum benefits will change. The Plan calls for the company or its policies to be sold to another company in the future. The potential buyer is unknown at this time.

What is guaranty association coverage?

A guaranty association (GA) is an organization in each of the 50 states (and the District of Columbia) that provides protection to policyholders when an insurance company fails or does not have enough money to pay claims. This is similar to protection for consumers' deposits when a bank fails. State laws require mandatory funding for GA coverage from the insurance industry.

If you choose to remain with Penn Treaty Network, your policy will transfer to the GA of the state where you live. You will receive benefits from the GA.

In most states, GA coverage has a limit on the total lifetime amount of benefits you can receive. When you reach that limit, your GA coverage will end. GA coverage limits are

established by state law and can vary from state to state. The amount of GA coverage is on your Selection Form.

Your policy is fully covered by the GA because your Maximum Lifetime Benefit is below the GA coverage limit. Your coverage will remain the same as your current coverage.

Which Option Is Best for You?

Look at the Value Indicator on the Selection Form chart.

The Value Indicator on your Selection Form is a number that shows each option's economic value. It shows how many dollars, on average, you are expected to receive in benefits for each dollar of premium you previously paid annually. The actual amount of benefits received will vary by individual. The Value Indicator on the Selection Form reflects only your previous annual premium and does not reflect your financial or personal circumstances.

The Value Indicator is calculated by dividing the "present value of future benefits" by your previously paid annual premium. The "present value of future benefits" is the present-day amount of dollars that the insurer is expected to pay in benefits on a policy in the future.

A higher Value Indicator generally means a greater economic value for you.

Example: A Value Indicator of 16.45 shows a greater economic value than a Value Indicator of 6.80.

Why are you being offered some options with a lower Value Indicator?

The Plan requires that every policyholder have a choice. The coverage provided for Penn Treaty Network policies has the higher economic value (as measured by the Value Indicator). But if you wish, you can choose American Network.

How Do You Indicate Your Choice?

After you have read this Selection Booklet, please:

- Choose ONE option on the enclosed Selection Form by checking the box next to it.
- Enter the date and your telephone number on the Selection Form.
- Return the completed Selection Form in the enclosed postage-paid return envelope, postmarked no later than **January 29, 2016**.

PLEASE NOTE: To be included as part of this research study, your response must be postmarked by January 29, 2016. As a reminder, by participating in this study **you are not making any changes to your policy.**

THANK YOU FOR COMPLETING YOUR SELECTION FORM!

Current policy information Maximum Daily Benefit: \$100 Inflation Protection: No	Name: Sample Policyholder 2N Policy #: 123456 For all options, the maximum daily benefit, inflation protection, and other policy features are the same as your current policy. The difference in the lifetime maximum is noted in the chart below. See the Selection Booklet and the Plan for explanations.
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	Company	Premium Increase	Benefit Decrease	Annual Premium	Maximum Lifetime Benefit	Value Indicator ¹		
CURRENT COVERAGE	Penn Treaty Network	----	----	\$0	\$11,244	4.80	<div style="border: 1px solid black; padding: 5px; display: inline-block;">Check ONE Box</div> 	
OPTION 1 (DEFAULT)	Penn Treaty Network	+ 0.0%	- 0.0%	\$0	\$11,244 ²	4.80		<input type="checkbox"/> 1
OPTION 2	American Network	+ 0.0%	- 69.3%	\$0	\$3,443	1.47		<input type="checkbox"/> 2

¹The Value Indicator shows the value of expected benefits in relation to premium previously paid. It does not reflect individual policyholder financial or personal circumstances.

²In Option 1, your Maximum Lifetime Benefit includes \$11,244 in Guaranty Association Coverage.

I choose the option checked above for purposes of this research study. By participating in this study, I understand I am not making any changes to my policy.

No signature required. Research study sample.

Signature _____ Date _____ Telephone Number _____

Return this form in the enclosed envelope, postmarked by **January 29, 2016**.