



## Government of the District of Columbia Department of Insurance, Securities and Banking

Stephen C. Taylor  
Commissioner

### The formation of a captive insurance company, “LTC Re”, in the District of Columbia to facilitate the liquidation of Penn Treaty Network America Insurance Company (“PTNA”) and American Network Insurance Company (“ANIC”)

- PTNA and ANIC (“Companies”) are in liquidation effective March 1, 2017 under a process administered by the Insurance Commissioner of the Commonwealth of Pennsylvania and overseen by the Commonwealth Court of Pennsylvania.
- The life and health guaranty associations (“GAs”) in the jurisdictions in which the Companies wrote business will be responsible for paying eligible liabilities of the Companies pursuant to the liquidation laws in the various jurisdictions.
- In order to best manage the liabilities of the GAs and to best facilitate the liquidation, the GAs, through the National Organization of Life and Health Guaranty Associations (“NOLHGA”), have formed a captive insurance company in the District of Columbia (“LTC Re” or “DC Captive”). LTC Re is organized as a nonprofit corporation, is controlled by its GA members, and will reinsure the GAs.
- The primary reason to use a captive to facilitate the liquidation is as follows:
  - The liquidation estate will include: 1. - assets from the insolvent Companies; 2. - guaranty association assessments; 3. - on-going premiums paid by policyholders. The DC captive will be a vehicle in which the estate assets, guaranty fund assessments, and premiums are housed. These amounts will be received by the GAs and ceded to the DC captive under a reinsurance agreement. As liabilities are paid by the GAs, the DC captive will then pay the GAs.
- There is precedent for using a captive to facilitate a liquidation. In 2012, various life and health guaranty associations established a captive insurance company in the District of Columbia to facilitate the liquidation of Executive Life of New York.
- The GAs are responsible for the liquidation of the Companies under the laws of the jurisdictions in which the Companies wrote business, including managing policies and

paying claims of PTNA and ANIC policyholders. The DC captive's only obligation will be as a reinsurer to the GAs.

- The maximum liability of the DC captive to the GAs under the reinsurance agreement will never exceed the funding provided to the DC captive by the GAs. As a result, the DC captive can never itself become insolvent, and the District of Columbia would not have to require additional assets to be infused into the DC captive. If the DC captive needs additional assets in order to satisfy its liabilities to the GAs, the GAs will contribute the necessary funds.
- Under terms of the in-force policies assumed by the GAs from the Companies and under the liquidation laws applicable to the GAs, the GAs have the right to request rate increases. Any rate increases would be determined and requested by the GAs and not by the DC captive or by the District of Columbia in its capacity as the regulator of the DC captive.
- The DC captive will be required to make annual financial filings, including annual audited financial statements.

**Questions:**

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