

PTAC Press Release

Penn Treaty American Corporation and Pennsylvania Insurance Commissioner Enter Into Memorandum of Understanding and Settlement

Frisco, TX, June 16, 2016—Penn Treaty American Corporation (“PTAC”) today announced that it has entered into a Memorandum of Understanding and Settlement (the “Agreement”) with the Pennsylvania Insurance Commissioner involving the receiverships of PTAC’s direct and indirect subsidiaries, Penn Treaty Network American Insurance Company (“PTNA”) and American Network Insurance Company (“ANIC”) (collectively, the “Companies”). The parties to the Agreement include the Commissioner, PTAC, Eugene J. Woznicki as the Chairman of the Boards of the Companies, and Broadbill Partners, LP, a large PTAC shareholder (collectively, the “Parties”).

The Parties have requested the Commonwealth Court of Pennsylvania which is supervising the Companies’ receiverships to approve the Agreement. The Agreement will not become effective until the occurrence of its Effective Date, which will only occur after the Parties obtain final court approval of the Agreement. There can be no assurance that the Court will approve the Agreement or that the Effective Date will occur.

The Agreement contemplates that, among other things, (i) PTAC and the Commissioner will seek a Private Letter Ruling (“PLR”) from the Internal Revenue Service (“IRS”) with respect to certain tax matters; (ii) certain operations losses/net operating losses of the consolidated tax group (“CNOLs”) will remain available, if needed, to the estates of the Companies in the course of their receiverships; (iii) certain CNOLs may be preserved for PTAC’s benefit up to the lesser of PTAC’s permitted basis in PTNA stock or Four Hundred Million Dollars (\$400,000,000) and as determined by applicable law; and (iv) PTAC will receive a cash payment of Ten Million Dollars (\$10,000,000) in total from the estates of the Companies in two (2) installments, the first upon the Agreement’s Effective Date and the second upon the submission of the PLR to the IRS.

The full text of the Agreement is available on PTAC’s website and in the Parties’ application seeking court approval of the Agreement.

Cautionary Note Regarding Forward-Looking Statements:

This press release contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical facts, but instead represent only the company’s beliefs regarding future events, certain of which, by their nature, are inherently uncertain and outside the company’s control. The company has included in this press release information about the Memorandum of Understanding and Settlement to resolve, subject to court approval and the occurrence of the Effective Date, litigation involving the receiverships of PTAC’s direct and indirect subsidiaries, PTNA and ANIC (in Rehabilitation). The statements with respect to the Memorandum of Understanding and Settlement are forward-looking statements, based on the company’s current expectations regarding obtaining final court approval, the ultimate terms of definitive settlement documentation, if any additional

documentation is needed, and certain tax matters which includes the amount, if any, of the CNOLs which may be available to PTAC, the resolution of which are inherently uncertain. Accordingly, the effects of the definitive settlement, may change, possibly materially, from what is currently expected.

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