

Penn Treaty American Corporation

2500 Legacy Drive, Suite 130
Frisco, Texas 75034
469-287-7044

www.penntreatyamerican.com

July 15, 2010

Dear Shareholder:

I write to update you on developments since my last letter of March 23, 2010 (copy attached) regarding the efforts by the Pennsylvania Insurance Commissioner to seek court approval to terminate the rehabilitations and liquidate Penn Treaty Network America Insurance Company (PTNA) and American Network Insurance Company (ANIC). As you may recall, after the Commissioner filed petitions to liquidate PTNA and ANIC rather than continue efforts to rehabilitate them, Penn Treaty American Corporation (PTAC) and I intervened in order to contest the liquidation efforts. We believed then, as we believe now, that liquidation is inappropriate and that continued, more aggressive rehabilitation efforts are in everyone's best interests, including the policyholders of PTNA and ANIC.

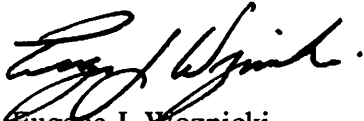
The Court stayed the proceedings on the liquidation petitions in March so that the parties could continue to explore whether the companies can be rehabilitated. Thereafter, our actuarial consultants had a series of meetings and discussions with the actuaries retained by the Insurance Department, and our team met with representatives of the Commissioner to discuss whether there was any common ground. These meetings left us even more firmly convinced that the Commissioner's position was based on unreliable actuarial conclusions. We have been concerned that obtaining the actuarially justified rate increases that are an important aspect of any responsible rehabilitation plan have been impeded by the pending liquidation petitions. We informed the Commissioner's representatives that if he did not withdraw the liquidation petitions, we would ask the Court to set a hearing date on the liquidation petitions. In early May, during our meeting with Commissioner Ario, his representatives and the Judge to discuss status, we informed the Court of the inability to reach agreement and the need for a hearing on the petitions.

On May 18, PTAC's Directors unanimously reiterated PTAC's commitment to fully defend against the petitions to liquidate PTNA and ANIC. The hearing on the petitions is scheduled to commence on October 25, 2010 in Harrisburg, PA.

Links to certain filings in the PTNA and ANIC rehabilitations, including Court Orders, may be found at the following website maintained by the rehabilitator: [www.penntreaty.com/about Us/rehabnews.asp](http://www.penntreaty.com/about%20Us/rehabnews.asp). Please note that although all Orders and filings of the Commissioner may be found there, our filings are generally not posted on that website. Many of our filings may be found at www.penntreatyamerican.com.

I will update you as developments warrant.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene J. Woznicki". The signature is fluid and cursive, with a prominent initial "E" and a long, sweeping underline.

Eugene J. Woznicki
President/Chairman of the Board