

PENN TREATY AMERICAN CORPORATION
COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Penn Treaty American Corporation (the “Company”) to:

- review and approve corporate goals and objectives relevant to Chief Executive Officer (“CEO”) compensation, evaluate the CEO’s performance in light of those goals and objectives, and, make recommendations to the other independent directors with respect to CEO compensation. The independent directors of the Board shall determine and approve the CEO’s compensation level.
- make recommendations to the Board with respect to non-CEO compensation, incentive-compensation plans and equity-based plans; and
- produce a compensation committee report on executive compensation as required by the SEC to be included in the Company’s annual proxy statement or annual report on Form 10-K filed with the SEC.

Committee Membership

The Committee shall consist of at least three members.

Committee Member Qualifications

All members of the Committee shall meet the independence requirements as set forth under Section 303A of the New York Stock Exchange’s Listed Company Manual.

Committee Member Appointment and Removal

Committee members shall be appointed annually by the Board upon the recommendation of the Audit, Nominating and Corporate Governance Committee and may be removed or replaced in the discretion of the Board. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

Committee Structure and Operations

With Board approval, the Committee may form and delegate authority to subcommittees when appropriate, provided that the subcommittees are composed entirely of independent directors.

The Committee shall meet at such times as it determines to be necessary or appropriate, but not less than once a year. A majority of the members of the Committee present in person or by telephone by means of which all persons participating in the meeting can hear each other shall constitute a quorum. The Committee shall maintain minutes of its meetings and records relating to those meetings.

The Committee may adopt such other rules and procedures for the conduct of its affairs as it deems necessary or appropriate if not inconsistent with the Company's bylaws.

Committee Reporting to the Board

The Committee shall make regular reports to the Board.

Committee Authority and Responsibilities

CEO Compensation

- The Committee shall annually (i) review and approve corporate goals and objectives relevant to CEO compensation, (ii) evaluate the CEO's performance in light of those goals and objectives and (iii) based on this evaluation, make recommendations to the other independent directors with respect to the CEO's annual base salary level, (b) annual incentive opportunity level, (c) long-term incentive opportunity level, (d) employment agreement, severance arrangement, and change in control agreement/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits or compensation. The independent directors of the Board shall determine and approve the CEO's compensation level.
- In reviewing the long-term incentive component of CEO compensation, the Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEO's at comparable companies and the awards given to the Company's CEO in past years. The Committee will make recommendations to the other independent directors and the independent directors of the Board shall determine and approve the long-term incentive component of CEO compensation."

Non-CEO Executive Compensation

- The Committee shall annually review and approve and make recommendations to the Board for the Non-CEO senior executives of the Company (including executive officers within the meaning of Section 16a-1(f) promulgated under the Securities Exchange Act of 1934, as amended): (a) annual base salary level, (b) annual incentive opportunity level, (c) long-term incentive opportunity level, (d) employment agreements, severance

arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits or compensation.

- The Committee's executive compensation policies and determinations should: (i) reflect overall business strategies and objectives, (ii) attract, retain and motivate key executives, (iii) link compensation with business objectives and organizational performance, (iv) align executive officers' interests with those of the Company's stockholders, and (v) provide competitive compensation opportunities.

Director Compensation

- The Committee shall review the non-employee or independent directors' compensation for competitiveness and recommend changes as appropriate to the Board.

Incentive Compensation, Equity-Based and Other Employee Benefit Plans and Awards

- The Committee shall annually review the goals and objectives of the Company's general compensation plans and other employee benefit plans, including incentive-compensation and equity-based plans, and amend, or recommend that the Board amend, these goals and objectives if the Committee deems it appropriate.
- The Committee shall review at least annually the Company's general compensation plans and other employee benefit plans, including incentive-compensation and equity-based plans, in light of the goals and objectives of these plans, and recommend that the Board amend these plans if the Committee deems it appropriate.
- The Committee shall review all equity-compensation plans to be submitted for stockholder approval under the New York Stock Exchange listing standards, and review and, in the Committee's sole discretion, approve all equity-compensation plans that are exempt from such stockholder approval requirement.
- The Committee shall perform such duties and responsibilities as may be assigned to the Committee under the terms of any compensation or other employee benefit plan, including any incentive-compensation or equity-based plan.
- The Committee shall approve, in the aggregate, stock options, other equity compensation and annual bonuses for all non-executive employees.

General Matters

- The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or senior executive compensation and shall have sole authority to approve the consulting firm's fees and

other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

- The Committee is not precluded from approving awards (with or without ratification of the Board) as may be required to comply with applicable tax laws (i.e., Rule 162(m)).
- The Committee shall produce a compensation committee report on executive compensation as required by the SEC to be included in the Company's proxy statement or annual report on Form 10-K filed with the SEC.
- The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

Annual Performance Evaluation

The Committee shall conduct an annual evaluation of its performance.

Adopted by the Board of Directors on April 23, 2004.