

**PENN TREATY AMERICAN CORPORATION**  
**CODE OF BUSINESS CONDUCT AND ETHICS**

**Introduction**

This Code of Business Conduct and Ethics (the “Code”) covers a wide range of business practices and procedures. It does not cover every issue that may arise, but it sets out basic principles to guide all directors and employees of Penn Treaty American Corporation (the “Company”). All directors and employees must conduct themselves accordingly and seek to avoid even the appearance of improper behavior. The Code should also be provided to and followed by the Company's agents and representatives, including consultants.

If a law conflicts with a policy in this Code, an employee must comply with the law; however, if a local custom or policy conflicts with this Code, an employee must comply with the Code. If an employee has any questions about these conflicts, he/she should consult a supervisor about how to handle the situation.

Beyond legal compliance, all Company employees and agents are expected to observe high standards of business and personal ethics in the discharge of their assigned duties and responsibilities. This requires the practice of honesty and integrity in every aspect of dealing with other Company employees, the public, the business community, stockholders, customers, suppliers and governmental and regulatory authorities.

Those who violate the standards in this Code will be subject to disciplinary action pursuant to Section 16 of this Code. *If you are in a situation which you believe may violate or lead to a violation of this Code, follow the guidelines described in Section 17 of this Code.*

**1. Compliance with Laws, Rules and Regulations**

Obeying the law, both in letter and in spirit, is the foundation on which this Company's ethical standards are built. All employees must respect and obey the laws of the cities, states and countries in which we operate. Although not all employees are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel.

**2. Administration of Code of Business Conduct**

The Audit, Nominating and Corporate Governance Committee (the “Governance Committee”) of the Board of Directors shall administer this Code. The Governance Committee shall periodically review the Code and the Company’s related procedures and monitoring, auditing and reporting systems to ensure: (i) the Code’s continued compliance with applicable law, (ii) that the Code meets or exceeds industry standards, and (iii) that any weaknesses revealed through monitoring, auditing and reporting systems are eliminated or corrected. When necessary or desirable as a result of the review, the Governance Committee shall recommend to

the Board of Directors appropriate amendments to the Code and changes to the procedures and monitoring, auditing and reporting systems related to the Code.

To ensure the continued dissemination and communication of the Code of Business Conduct and Ethics, the Governance Committee shall take, or cause to be taken, reasonable steps to communicate effectively the standards and procedures included in the Code to employees and agents of the Company. For example, the Company shall hold information and training sessions to promote awareness and compliance with laws, rules and regulations, including insider-trading laws.

### **3. Conflicts of Interest**

A “conflict of interest” exists when a person's private interest interferes in any way—or even appears to interfere—with the interests of the Company. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest may also arise when an employee, officer or director, or members of his or her family, receives improper personal benefits as a result of his or her position in the Company. Loans to, or guarantees of obligations of, employees and their family members may create conflicts of interest.

It is almost always a conflict of interest for a Company employee to work simultaneously for a competitor, customer or supplier. Employees are not allowed to work for a competitor as a consultant or board member. The best policy is to avoid any direct or indirect business connection with our customers, suppliers or competitors, except on the Company’s behalf.

Conflicts of interest are prohibited as a matter of Company policy, except under guidelines approved by the Board of Directors. Conflicts of interest may not always be clear-cut, so if a question arises, employees should consult with higher levels of management or the Company's Legal Department. Any employee, officer or director who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or other appropriate personnel or consult the procedures described in Section 17 of this Code.

### **4. Insider Trading**

Employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. All non-public information about the Company should be considered confidential information. To use non-public information for personal financial benefit or to “tip” others who might make an investment decision on the basis of this information is not only unethical but also illegal. If an employee has any questions, he/she should consult the Company's Legal Department.

### **5. Corporate Opportunities**

Employees, officers and directors are prohibited from taking for themselves personally opportunities that are discovered through the use of corporate property, information or

position without the consent of the Board of Directors. No employee may use corporate property, information, or position for improper personal gain, and no employee may compete with the Company directly or indirectly. Employees, officers and directors owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

## **6. Competition and Fair Dealing**

The Company seeks to outperform its competition fairly and honestly. The Company seeks competitive advantages through superior performance, not through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each employee should endeavor to respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

The purpose of business entertainment and gifts in a commercial setting is to create goodwill and sound working relationships, not to gain unfair advantage with customers. No gift or entertainment should ever be offered, given, provided or accepted by any Company employee, family member of an employee or agent unless it: (1) is not a cash gift, (2) is consistent with customary business practices, (3) is not excessive in value, (4) cannot be construed as a bribe or payoff and (5) does not violate any laws or regulations. All employees should discuss with their supervisor any gifts or proposed gifts which they are not certain are appropriate.

## **7. Discrimination and Harassment**

The diversity of the Company's employees is a tremendous asset. The Company is firmly committed to providing equal opportunity in all aspects of employment and will not tolerate any illegal discrimination or harassment of any kind. Examples include derogatory comments based on racial or ethnic characteristics and unwelcome sexual advances.

## **8. Health and Safety**

The Company strives to provide each employee with a safe and healthful work environment. Each employee has responsibility for maintaining a safe and healthy workplace for all employees by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions.

Violence and threatening behavior are not permitted. Employees should report to work in condition to perform their duties, free from the influence of illegal drugs or alcohol. The use of illegal drugs in the workplace will not be tolerated.

## **9. Record-Keeping**

The Company requires honest and accurate recording and reporting of information in order to make responsible business decisions. For example, only the true and actual number of hours worked should be reported.

Many employees regularly use business expense accounts, which must be documented and recorded accurately. If an employee is not sure whether a certain expense is legitimate, he/she should consult a supervisor or controller.

All of the Company's books, records, accounts and financial statements must be maintained in reasonable detail, must appropriately reflect the Company's transactions and must conform both to applicable legal requirements and to the Company's system of internal controls. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation.

Business records and communications often become public, and all employees should avoid exaggeration, derogatory remarks, guesswork, or inappropriate characterizations of people and companies that can be misunderstood. This applies equally to e-mail, internal memos, and formal reports. Records should always be retained or destroyed according to the Company's record retention policies. In accordance with those policies, in the event of litigation or governmental investigation please consult the Company's Legal Department.

## **10. Confidentiality**

Employees must maintain the confidentiality of confidential information entrusted to them by the Company or its customers, except when disclosure is authorized by the Law Department or required by laws or regulations. Confidential information includes all non-public information that might be of use to competitors, or harmful to the Company or its customers, if disclosed. It also includes information that suppliers and customers have entrusted to us. The obligation to preserve confidential information continues even after employment ends.

## **11. Protection and Proper Use of Company Assets**

All employees should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness, and waste have a direct impact on the Company's profitability. Any suspected incident of fraud or theft should be immediately reported for investigation. Company equipment should not be used for non-Company business, though incidental personal use may be permitted.

The obligation of employees to protect the Company's assets includes its proprietary information. Proprietary information includes intellectual property such as trade secrets, patents, trademarks, and copyrights, as well as business, marketing and service plans, databases, records, salary information and any unpublished financial data and reports. Unauthorized use or distribution of this information would violate Company policy. It could also be illegal and result in civil or even criminal penalties.

## **12. Payments to Government Personnel**

The U.S. Foreign Corrupt Practices Act prohibits giving anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. It is strictly prohibited to make illegal payments to government officials of any country.

In addition, the U.S. government has a number of laws and regulations regarding business gratuities which may be accepted by U.S. government personnel. The promise, offer or delivery to an official or employee of the U.S. government of a gift, favor or other gratuity in violation of these rules would not only violate Company policy but could also be a criminal offense. State and local governments, as well as foreign governments, may have similar rules. The Company's Legal Department can provide guidance to employees in this area.

## **13. Waivers of the Code of Business Conduct and Ethics**

Any waiver of this Code for executive officers or directors may be made only by the Board or a Board committee and will be promptly disclosed to shareholders as required by law or stock exchange regulation.

## **14. Reporting System**

The Governance Committee shall establish a reporting system that will allow violations of the Code of Business Conduct and Ethics to be reported and acted upon by officers or other employees of the Company with sufficient authority to deal objectively with the reported matters. The existence and nature of the reporting system shall be communicated to all employees and, to the extent appropriate, to agents of the Company. It shall be a violation of this Code to intimidate or impose any form of retribution on any employee or agent who utilizes such reporting system in good faith to report suspected violations (except that appropriate action may be taken against such employee or agent if such individual is one of the wrongdoers).

Employees are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behavior and when in doubt about the best course of action in a particular situation. Employees are expected to cooperate in internal investigations of misconduct.

## **15. Investigation of Violations**

If, through operation of the Company's compliance monitoring and auditing systems or its violation reporting systems or otherwise, the Company receives information regarding an alleged violation of the Code of Business Conduct and Ethics, the person or persons authorized to investigate alleged violations of the Code shall, as appropriate, in accordance with procedures established by the Governance Committee:

- (i) evaluate such information as to gravity and credibility;

- (ii) initiate an informal inquiry or a formal investigation with respect thereto;
- (iii) prepare a report of the results of such inquiry or investigation, including recommendations as to the disposition of such matter;
- (iv) make the results of such inquiry or investigation available to the Board of Directors or the Governance Committee for action (including disciplinary action by the Board); and
- (v) recommend changes in the Code of Business Conduct and Ethics necessary or desirable to prevent further similar violations.

## **16. Disciplinary Measures**

The Company shall fairly enforce its Code of Business Conduct and Ethics through appropriate means of discipline. Pursuant to procedures adopted by it, the Governance Committee shall determine whether violations of the Code have occurred and, if so, shall determine the disciplinary measures to be taken against any employee or agent of the Company who has so violated the Code.

The disciplinary measures, which may be invoked at the discretion of the Governance Committee, include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension without pay, demotions, reductions in salary, termination of employment and restitution.

Persons subject to disciplinary measures shall include, in addition to the violator, others involved in the wrongdoing such as (i) persons who fail to use reasonable care to detect a violation, (ii) persons who if requested to divulge information withhold material information regarding a violation, and (iii) supervisors who approve or condone the violations or attempt to retaliate against employees or agents for reporting violations or violators.

## **17. Compliance Guidelines**

In order to ensure prompt and consistent action against violations of this Code, all employees are encouraged to keep the following steps in mind when a question or problem arises:

- ? Make sure you have all the facts. In order to reach the right solutions, we must be as fully informed as possible.
- ? Ask yourself: What specifically am I being asked to do? Does it seem unethical or improper? This will enable you to focus on the specific question you are faced with, and the alternatives you have. Use your judgment and common sense; if something seems unethical or improper, it probably is.
- ? Clarify your responsibility and role. In most situations, there is shared responsibility. Are your colleagues informed? It may help to get others involved and discuss the problem.

- ? Discuss the problem with your supervisor. This is the basic guidance for all situations. In many cases, your supervisor will be more knowledgeable about the question, and will appreciate being brought into the decision-making process. Remember that it is your supervisor's responsibility to help solve problems.
- ? Seek help from Company resources. In the rare case where it may not be appropriate to discuss an issue with your supervisor, or where you do not feel comfortable approaching your supervisor with your question, discuss it locally with your office manager or your Human Resources manager. If you prefer to write, address your concerns to Corporate Counsel, Penn Treaty American Corporation, 3440 Lehigh Street, Allentown, PA 18103.
- ? You may report ethical violations in confidence and without fear of retaliation. If your situation requires that your identity be kept secret, your anonymity will be protected. The Company does not permit retaliation of any kind against employees for good faith reports of ethical violations.
- ? Always ask first, act later. If you are unsure of what to do in any situation, seek guidance before you act.

## **18. Documentation**

Subject to the applicable document retention program, the Company shall document its compliance efforts and results to evidence its commitment to comply with the standards and procedures set forth above.

Adopted by the Board of Directors on April 23, 2004