

WISCONSIN INSURANCE SECURITY FUND

Assessment information for Insurers

Disability Account – Penn Treaty Assessment Information

April 11, 2022

ATTN: Department Responsible for
Insurance Guaranty Association Assessments

RE: Penn Treaty Network America, in Liquidation
Health/Disability Account Assessment

The invoice contained the rate applied to your 2020 assessable premium in the Disability Account. The premium used to calculate the invoice was obtained through the National Association of Life and Health Guaranty Association (NOLHGA) Assessment Data Survey (ADS). This survey is part of your annual Reconciliation Exhibit as filed with the Annual NAIC Financial blank.

Appeal Rights: If a company wishes to appeal the assessment you must pay the full amount shown on the invoice under protest and send separate notice of appeal identifying the company or companies including company NAIC number that states your specific objection to this assessment. Appeal communications should be sent to:

Wisconsin Insurance Security Fund
2820 Walton Commons Lane Suite 135
Madison, WI 53718-6797.

The appeal must be sent to us within 30 days of the date of the enclosed

The **assessment invoices** were **sent on April 11th** and the payments are **due May 16th** Thank you for your prompt attention to this matter and supporting the Wisconsin Insurance Security Fund. Please contact the Fund if you have any questions.

The Security Fund Annual report is no longer mailed to insurers. The last two year's annual reports are available on our **website** (<https://www.wilifega.org/>) under the **Additional Info** tab.

Sincerely,

Allan Patek
Executive Director

WISCONSIN INSURANCE SECURITY FUND

Administrative Account Assessments

- The Fund levies administrative assessments **only in the odd numbered years.**
- Plan for the **next administrative assessment** to be invoiced late in the **1st quarter of 2023.**

Insolvency Account Assessments

Property Casualty (Other Insurance) Account

- There are currently no plans to make an assessment in 2022.
- Authorized, but uncalled Assessments:
 - None

Life Account

- There are currently no plans to make an assessment in 2022.
- Authorized, but uncalled Assessments:
 - None

Annuity Account

- There are currently no plans to make an assessment in 2022.
- Authorized, but uncalled Assessments:
 - None

Disability (includes Health) Account

- **Authorized, and called Assessment:**
 - The Fund Board authorized a **\$10 million assessment for Penn Treaty** on September 15, 2021 (assessment base year 2020).
 - **This \$10 million authorized assessment was invoiced on April 11th and is due on May 16th**

HMO Account

- There are no active insolvencies in this account.
- Therefore, it is not necessary to make any assessments at this time.
- Authorized, but uncalled Assessments:
 - None

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Assessment Premium Reporting and Exemption Claims

- Insurers writing life, annuity, accident and health or HMO coverage should utilize the NOLHGA Assessment Data Survey reconciliation with the annual financial statement to report exempt premium (i.e., Medicare, Medicaid and FEHBP).
- Insurers writing property casualty or other covered lines of business who have exempt premium that appears on their annual financial statement should contact the Security Fund for instructions on how to file for a premium exemption.

Guidance for Statutory Reserving

- Each December, the Fund produces a summary of projected liabilities and account balances by insolvency account to assist companies in their statutory accounting reserve determinations.
- The 2021 YE SAAP Report (issued 11/22/2021) is included on the next two pages.
- Watch our website for 2022 YE update that will be posted after 12/15/2022.
- If you have questions on this report, please send your contact information to Wisconsin@wisf-madison.org.

Wisconsin Insurance Security Fund

2021 YE Estimated Liabilities for Statutory Accounting

| Account | Active Insolvencies | Active Insolvencies w/Open Estates | Current Assessment Base (2020) | Current Account Balance | Current Projected Future Liabilities | Net Account Position |
|---------------------|------------------------|---|--------------------------------------|-------------------------------|---|-------------------------|
| Property & Casualty | 26 | 21 | \$ 10,398,898,290 | \$ 21,429,318 | \$ 21,247,616 | \$ 181,702 |
| Life | 2 | 1 | \$ 2,626,443,638 | \$ 910,234 | \$ 21,696 | \$ 888,538 |
| Annuity | 1 | 0 | \$ 5,055,839,175 | \$ 3,618,924 | \$ 64,300 | \$ 3,554,624 |
| Disability (Health) | 2 | 2 | \$ 6,021,928,895 | \$ 4,498,068 | \$ 15,885,794 | \$ (11,387,726) |
| HMO | 0 | NA | <u>\$ 5,234,071,134</u> | - | - | - |

Account Assessment Base

P&C, Disability and HMO accounts use the year prior to assessment authorization. There is a \$10 million authorized assessment in the the Disability Account that will be called in the second quarter of 2022.

Life and Annuity accounts use the three years prior to liquidation. There are no outstanding uncalled assessments in these accounts.

All amounts indicated for future liabilities are estimates and are subject to change.

1. The timing of assessments is determined, and will be dependent upon, by the cash flow needs of the Fund related to insolvency estates.
2. The amount assessed may be reduced by distributions from open liquidation estates, investment income and premium revenue. New this year, the P&C projected liabilities reflects the beneficial effect of net worth recoveries.
3. The Fund can't predict whether future insolvencies will occur that require assessments.

Produced 11-22-2021

Wisconsin Insurance Security Fund

Column Descriptions

Active Insolvencies include all liquidations where the Fund continues to maintain estate level tracking and has projected liabilities. Open estates range widely with the oldest remaining P&C estates dating from 1985, oldest life estate is from 1981 and disability account estate is from 2010.

Active Open Estates includes only estates when the liquidation estate is also still open. This is significant because in many cases the bar dates have not been set and administrative costs are reimbursed and estate distribution continue.

Current Assessment Base shows the preliminary assessment base for the most current year. The Life, Annuity and Disability account information comes from the annual statement reconciliation and NOLHGA Assessment Data Survey (results usually available by September 30th). P&C and HMO account information comes from the annual statements through OCI (results usually available by June 1st)

Current Account Balance shows the funds currently held in each account for all liquidation estates. These funds are receipts (assessments, early access, estate distributions, premium, recoveries and investment income) after all expenses (claims, adjustment costs and allocated administrative expenses) have been subtracted.

Current Projected Future Liabilities includes claims and claims adjustment reserves, but does not include allocated administrative expenses. The Fund annually allocates between 70 - 80% of its approximately \$1,241,000 annual administrative budget through a time/effort based allocation formula.

For additional information or clarification, contact the Fund's Executive Director Allan Patek

November 22, 2021