

Penn Treaty American Corporation

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March 23, 2010

Dear Shareholder:

I write to update you on recent developments regarding the rehabilitation proceedings of Penn Treaty American Corporation's (PTAC)'s insurance company subsidiaries, Penn Treaty Network America Insurance Company (PTNA) and American Network Insurance Company (ANIC).

As previously reported in filings with the Securities and Exchange Commission, the directors of PTNA and ANIC agreed to the entry of orders of rehabilitation for those companies in late 2008. The orders were entered in early 2009. The rehabilitation orders required the Pennsylvania Insurance Commissioner, as rehabilitator of the companies, to "take such actions as are necessary to correct the condition that prompted the Board of Directors' request for and consent to the rehabilitation...." The rehabilitator was also required to prepare preliminary plans of rehabilitation by early April, 2009. The preliminary plans were filed in early April, 2009 and they were supported by an actuarial analysis from the Milliman actuarial firm. In the preliminary plans, the rehabilitator anticipated the filing of final plans of rehabilitation by early October, 2009.

In early October, 2009, the rehabilitator did not file plans of rehabilitation but instead filed petitions to liquidate the companies. Attached to these petitions was another actuarial analysis from Milliman that contained a startling new suggestion that the companies' negative surplus was far greater than Milliman asserted it was just months earlier. PTAC immediately moved to intervene in the proceedings and objected to the liquidation. We were permitted to intervene and have aggressively asserted the position that the companies should not be liquidated based on the new Milliman projections. For the past several months, a special committee of the Board have been working with our actuarial and financial consultants along with counsel to develop an appropriate response to the efforts to liquidate these companies.

In late January, our team met with Pennsylvania Insurance Commissioner and his staff and lawyers to discuss possible methods for rehabilitating the companies and whether liquidation is justified. Presiding over this day long meeting was the Judge of Pennsylvania's Commonwealth Court who is overseeing the rehabilitations. After that meeting, the parties' actuaries and other representatives met to discuss the assumptions supporting the new Milliman analysis and the rationale for the significant changes from the Milliman analysis supporting rehabilitation, produced just months earlier. These discussions continue.

On March 12, 2010, the Judge issued orders staying the proceedings on the liquidation petitions while the parties continue to explore whether the companies can be rehabilitated. Another meeting with the Judge is scheduled for May 7, 2010. Before then, in late April, the parties will meet to discuss these issues.

To date, we do not believe that credible evidence has been presented to the Board or its advisors to justify liquidation. Unless strong evidence is presented that completely justifies liquidation of the insurance companies, the Board will aggressively defend against the Insurance Commissioner's pursuit of its liquidation petitions.

Links to certain filings in the PTNA and ANIC rehabilitations, including Court Orders, may be found at the following website maintained by the rehabilitator: https://www.penntreaty.com/about_Us/rehabnews.asp. Please note that although all Orders and filings of the rehabilitator 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 written in a cursive style with a prominent initial "E" and "W".

Eugene J. Woznicki
President / Chairman of the Board