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DOC 1

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DOC 2

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DOC 1 Header

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **July 24, 2012**

Penn Treaty American Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation)

001-14681
(Commission File
Number)

23-1664166
(IRS Employer Identification
No.)

2500 Legacy Drive, Suite 130 Frisco, TX 75034
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: **(469) 287-7044**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01. Other Events.

As previously reported in a Current Report on Form 8-K filed on May 18, 2010 by Penn Treaty American Corporation (the “Company”), on May 10, 2010, the Insurance Commissioner of the Commonwealth of Pennsylvania (the “Insurance Commissioner”), in his official capacity as Rehabilitator of Penn Treaty Network America Insurance Company (“PTNA”), filed in the Commonwealth Court of Pennsylvania a Complaint against the Company, the parent of PTNA. The Insurance Commissioner alleged that PTNA is owed approximately \$2.3 million from the Company related to a federal tax refund and certain accrued paid time off liabilities.

On July 20, 2012, the Insurance Commissioner and the Company entered into a Settlement Agreement and Release (the “Settlement Agreement”) pursuant to which the Company would pay \$1.2 million to PTNA. On July 24, 2012, a Praecipe to Discontinue was filed with the Commonwealth Court of Pennsylvania settling, discontinuing and ending the case between the Insurance Commissioner and the Company.

A copy of the form of Settlement Agreement is filed with this Form 8-K and attached hereto as Exhibit 99.1. The foregoing description of the Settlement Agreement is qualified in its entirety by reference to the full text of the form of Settlement Agreement, which is incorporated herein in its entirety by reference.

On July 6, 2012, by order of the Commonwealth Court of Pennsylvania (the “Order”), the court granted the Intervenors’ Petition to Recover Professional Fees, Costs and Other Expenses Awarded Pursuant to 40 P.S. §221.18(a) (the “Fee Petition”) whereby the Insurance Commissioner is ordered to reimburse the Intervenors, Eugene J. Woznicki and the Company, for professional fees, costs and other expenses of the defense of the rehabilitation proceeding, in equal amounts from the estates of PTNA and ANIC within ten days of the date of the Order. The amounts due to the Company pursuant to the Fee Petition were paid by the Insurance Commissioner on July 16, 2012.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit	Description
99.1	Form of Settlement Agreement and Release dated as of July 20, 2012 by and between Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Rehabilitator of Penn Treaty Network America Insurance Company and Penn Treaty American Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PENN TREATY AMERICAN CORPORATION

July 30, 2012

By: /s/ Eugene Woznicki
Eugene Woznicki
Chief Executive Officer

EXHIBIT INDEX

Exhibit	Description
99.1	Form of Settlement Agreement and Release dated as of July 20, 2012 by and between Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Rehabilitator of Penn Treaty Network America Insurance Company and Penn Treaty American Corporation.

DOC 2 Header

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (“Agreement”) is made as of July 20, 2012, by and between Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Rehabilitator of Penn Treaty Network America Insurance Company (the “Rehabilitator” of “PTNA”), and Penn Treaty American Corporation (“PTAC”) (collectively, the “Parties”).

WHEREAS, on May 10, 2010, the Rehabilitator commenced this action by Complaint filed in the Commonwealth Court of Pennsylvania (the “Court”) and subsequently filed an Amended Complaint in this action previously entitled *Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Rehabilitator of Penn Treaty Network American Insurance Company, Plaintiff v. Penn Treaty American Corporation, Defendant*, and docketed at 451 MD 2010, and now entitled *Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania, in his official capacity as Rehabilitator of Penn Treaty Network American Insurance Company, Plaintiff v. Penn Treaty American Corporation, Defendant* (Ancillary to In Re: Penn Treaty Network America Insurance Company in Rehabilitation, No. 1 PEN 2009), and docketed at No. 1 PEN 2010 (the “Action”).

WHEREAS, in the Action, the Rehabilitator has asserted claims on behalf of PTNA against PTAC relating to disputes concerning the allocation of a federal income tax refund in the amount of \$1,505,813 (the “Tax Refund”) and certain paid-time-off liabilities relating to PTNA’s employees (collectively, the “Tax and PTO Claims”); and

WHEREAS, PTAC denies any liability to PTNA and any other person or entity in connection with the Tax and PTO Claims alleged in the Action; and

WHEREAS, the Rehabilitator, PTNA, and PTAC desire to avoid the substantial expense, burden, and distraction of further litigating the Action and desire to put to rest all further controversy with respect to the substance of the Action, the Tax and PTO Claims, and any other claims which could have been asserted in the Action, on the terms and conditions hereinafter set forth; and

WHEREAS; the Rehabilitator has not filed any other complaints, claims, lawsuits, or actions against PTAC or any third party relating to the transactions or occurrences asserted in the Action, in any court, agency, or other tribunal, or demanded or commenced any arbitration or mediation;

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the sufficiency of which is hereby acknowledged, the Rehabilitator on behalf of PTNA, and PTAC, intending to be legally bound, agree as follows:

1. Contingent upon the execution of this Agreement by the Parties, approval of PTAC's Board of Directors, and the remittance by Monday, July 16, 2012 by the Rehabilitator, through PTNA and PTNA's subsidiary, American Network Insurance Company ("ANIC"), of payment pursuant to and in full satisfaction of the Court's July 6, 2012 Order to the trust account of Ballard Spahr LLP pursuant to the following wire transfer instructions:

Bank:

Address:

ABA #:

Account Number:

Account Name:

Instructions: Please include the following in the wire transfer description:

PTAC shall within one (1) business day of the execution of this Agreement by the Parties, pay the settlement amount of One Million Two Hundred Thousand Dollars (\$1,200,000) to PTNA as directed by the Rehabilitator pursuant to the following wire instructions:

Bank:
Address:

ABA #:

Account Number:
Account Name:

2. Said payment shall be the only payment that PTNA and the Rehabilitator shall be entitled to receive from PTAC in connection with the Action and this Agreement. The Rehabilitator warrants that upon receipt of said payment, the settlement shall be deemed to be consummated and the Rehabilitator will submit to the Court all legal papers necessary to dismiss the Action with prejudice, each Party bearing its own litigation costs and expenses.

3. The Rehabilitator on behalf of the Pennsylvania Insurance Department, PTNA, PTNA's subsidiaries, and any estates or successor entities of PTNA and PTNA's subsidiaries (collectively, "Releasors" for purposes of this Agreement), hereby forever remise, release, discharge, quitclaim and covenant not to sue PTAC and its shareholders, subsidiaries, affiliates, predecessors, successors, assigns, estates, officers, directors, employees, attorneys, representatives, and agents (collectively, "Releasees" for purposes of this Agreement), for and from any and all manner of actions, causes of action, suits, debts, accounts, contracts, judgments, agreements, controversies, damages, claims, liabilities and demands of any kind or nature whatsoever, whether contractual, statutory, tort, or common law, whether in law or equity, whether or not now known, which were asserted or which could have been asserted in the above-referenced Action or otherwise arising from or relating to the Tax and PTO Claims. This release

is to be afforded the broadest possible interpretation and is expressly intended to release and does hereby release any and all claims whether tort, contract, statutory, or otherwise, that the Releasers now have or have had against the Releasees from the beginning of time through and including the Effective Date of this Agreement of July 20, 2012 relating to the transactions or occurrences asserted in the Action or otherwise relating to the Tax and PTO Claims. By this release, the Rehabilitator is also prohibited from asserting any claims against any third or non-party relating to the same transactions or occurrences asserted in the Action including without limitation the Tax and PTO Claims.

4. The Releasers represent and warrant that they have not sold, assigned, transferred, conveyed or otherwise disposed of any claim, demand or cause of action against the Releasees arising out of or relating to the subject matter of the above-referenced Action.

5. PTAC, on behalf of itself, its Board of Directors, and any estates or successor entities of PTAC, hereby covenants not to bring any suit or action against PTNA or the Rehabilitator relating to the Tax and PTO Claims. This covenant is made with the proviso that in the unlikely event that the IRS audits PTAC or the PTAC Consolidated Group in connection with the Tax Refund and requires repayment of all or part of the Tax Refund to the Federal Government, then PTAC reserves the right to make claim and institute any legal proceedings necessary to cause PTNA to repay to the Federal Government PTNA's proportionate share of the Tax Refund that PTNA has received through this Agreement, treating for the avoidance of doubt, PTNA as having received \$600,000 of Tax Refund monies upon its receipt of payment of the settlement sum described in paragraph 1 above.

6. No recitals, terms, or provisions contained in this Agreement, including without limitation the release contained in paragraph 3 above, is intended to in any way affect or

change the rights of any Party hereto in the separate rehabilitation proceeding entitled *In Re: Penn Treaty Network America Insurance Company in Rehabilitation*, and docketed at No. 1 PEN 2009. The Parties expressly stipulate that this Agreement has no consequence or bearing, and shall not be argued to have any consequence or bearing, on this separate rehabilitation proceeding.

7. This Agreement may not be changed, modified or altered except by an agreement in writing signed by all of the Parties.

8. This Agreement represents the full and complete agreement of the Parties and no other agreements exist.

9. Nothing contained in this Agreement shall constitute, or shall be argued to constitute, an admission of any fact, fault or liability by PTAC with respect to the Tax and PTO Claims or the transactions or occurrences asserted in the Action.

10. Each Party has cooperated and participated in the drafting and preparation of this Agreement. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against any drafting Party is of no application and is hereby expressly waived.

11. The Parties agree to cooperate in the execution of such documents and/or pleadings as are reasonably necessary and appropriate to the implementation of this Agreement, and to use their best efforts to perform all terms of this Agreement.

12. This Agreement may be executed by each Party separately in counterparts, each of which shall be deemed an original, and exchanged via facsimile or e-mail as a PDF.

[Signatures on next page]

AND NOW, the Parties through their duly authorized representatives, and intending to be legally bound hereby, have entered into this Agreement as of the Effective Date of July 20, 2012.

For Penn Treaty Network America Insurance
Company

Michael F. Consedine, Insurance Commissioner
of the Commonwealth of Pennsylvania, in his
official capacity as Rehabilitator of Penn Treaty
Network America Insurance Company

Dated

For Penn Treaty American Corporation

Eugene Woznicki

Dated