

Penn Treaty American Corporation

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May 8, 2013

Dear Shareholder:

The purpose of this letter is to bring you up to date about some important events regarding Penn Treaty American Corporation (the “Company” or “PTAC”).

As you will recall, and as disclosed by the Company in a number of Current Reports on Form 8-K, press releases, letters to shareholders and the Company’s website, the Company’s subsidiaries, Penn Treaty Network America (“PTNA”) and American Network Insurance Company (“ANIC”) entered rehabilitation and were placed under the control of the Pennsylvania Insurance Department in January of 2009. Instead of moving to rehabilitate these companies, on October 21, 2009, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Insurance Commissioner”) filed petitions to liquidate them instead. These petitions were filed in the Commonwealth Court of Pennsylvania (the “Commonwealth Court”). At the time, your board determined that liquidation of these companies was not warranted. As a result, the Company and I, as Chairman of the Boards of Directors of PTNA and ANIC, intervened in the proceedings and contested the liquidation petitions.

On May 3, 2012, following 31 days of testimony and arguments, and after reviewing thousands of pages of trial exhibits, hearing transcripts, and post-trial briefing, the Commonwealth Court issued a 164 page Memorandum Opinion and Order denying the Liquidation Petitions. The Commonwealth Court held that the Insurance Commissioner had “not

undertaken a meaningful effort to rehabilitate the companies [PTNA and ANIC] and, to the contrary, *has acted to frustrate rehabilitation*” (emphasis added). The Court ordered the Insurance Commissioner to develop a rehabilitation plan, in consultation with us, for submission to the Court for its approval, if warranted. On October 26, 2012, the Insurance Commissioner appealed the order of the Commonwealth Court to the Supreme Court of Pennsylvania.. Notwithstanding the appeal, as described below, on April 30th, the Insurance Commissioner filed proposed rehabilitation plans with the court.

Due to the rehabilitation proceeding, the Company has not had control or access to the books and records of PTNA and ANIC. Because of this fact as well as the extraordinary cost of preparing financial statements and having them audited, the Company has been unable to prepare and file periodic reports with the Securities and Exchange Commission (the “SEC”), as is required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Accordingly, on April 25, 2013, the SEC temporarily suspended trading in our common stock pursuant to Section 12(k) of the Exchange Act and notified us of its intention to institute an administrative proceeding to revoke our registration under Section 12(j) of the Exchange Act.

Your board has met to consider the trading suspension and the SEC’s proposed revocation of our registration. We have been advised that, if we choose, we could request a hearing and explain the reasons why we have been unable to comply with the Exchange Act’s requirements. We also have been advised that it is extremely unlikely that we could persuade the SEC not to revoke our registration and that it would be very costly and time-consuming to do so. The board therefore has concluded that the most appropriate course is to settle with the SEC and consent to the revocation of our registration at this time. Under the terms of this settlement, the Company has neither admitted nor denied any wrongdoing. The effect of this settlement is that there will no longer be a public market for our common stock and broker dealers are prohibited from effecting any transactions in our common stock.

Notwithstanding our inability to publish regular financial statements and otherwise comply with our obligations under the Exchange Act, we have endeavored to keep you and the securities marketplace informed of important developments regarding the Company and the rehabilitation proceeding by filing Current Reports on Form 8-K with the SEC, issuing press releases periodically, sending our shareholders letters from time to time, and posting important information on our website.

Going forward, the board intends to consider all of its options, including the possible resumption of trading of the Company's common stock in the public markets in the future. In this regard, we intend to request that the Insurance Commissioner cooperate with the Company in preparing consolidated financial statements and disclosures, if necessary, to allow the Company to file a registration statement with the SEC so that public trading in our common stock may resume. The Company will thereafter be subject to the Exchange Act, including its reporting provisions. This is a costly and time consuming process, and there can be no assurance that we will be successful in, among other things: (i) obtaining the cooperation of the Insurance Commissioner in preparing financial statements and other required disclosures about PTNA and ANIC, (ii) having the required financial statements audited by an independent public accounting firm and (iii) successfully completing the registration process with the SEC. While our ultimate success in these endeavors is not assured, you may be certain of the board's strong commitment to pursuing all reasonable options in order to re-establish a public trading market for the Company's common stock.

Now a word about the proposed rehabilitation plans that the Insurance Commissioner filed with the Court on April 30, 2013. The Intervenor expect to object to the plans in several respects. Surprisingly, they envision no premium rate increases for PTNA and ANIC in the immediate future, despite the fact that, as set forth in the Commonwealth Court's Opinion and Order, the primary condition that led to the need for rehabilitation is that the companies "*are saddled with inadequate rates on a subset of policies in a subset of problematic states. This*

situation arose because key regulators ... have denied, delayed, or limited needed premium rate increases.” (Emphasis added). I also point out that for at least the past three years during which PTNA and ANIC have been under the Insurance Commissioner’s control, he has not sought—or approved—a penny in premium rate increases on behalf of either company, even though many other companies have sought and received premium rate increases. We simply do not think that the plans the Commissioner has filed are consistent with the Commonwealth Court’s May 3, 2012 Opinion and Order, and the Intervenors will be calling the Court’s attention to these concerns in the ensuing weeks.

I and the rest of the board thank you for your continued support.

Sincerely,

A handwritten signature in cursive script that reads "Eugene J. Woznicki".

Eugene J. Woznicki

President/Chairman of the Board