EXHIBIT B

IN THE FIFTH JUDICIAL CIRCUIT OF THE STATE OF FLORIDA
IN AND FOR MARION COUNTY
CIVIL DIVISION

ELSIE M. FOREST, NORMAN LASKOWSKI, LAWRENCE SPOLTORE, and JEAN A. SPOLTORE, on behalf of themselves and all others similarly situated,

Plaintiffs,
v.

Reference No. 03-65-CA-G

PENN TREATY AMERICAN CORPORATION, and PENN TREATY NETWORK AMERICA INSURANCE CO.,
Defendants.
_____ /

TO: All persons and entities nationwide that purchased or had in force between January 1, 1997 to September 12, 2001 any Home Health Care, Long-Term Care, or Comprehensive Policy purchased from Penn Treaty Network America Insurance Company (formerly Network America Life Insurance Company), Penn Treaty Life Insurance Company or American Network Insurance Company (collectively "Penn Treaty"), except the Excluded Policies (as described below), and who received any rate increase. Excluded from the Class are the Defendants, their affiliates, subsidiaries, and any judicial officer presiding over the settlement.

NOTICE OF CLASS ACTION AND PROPOSED SETTLEMENT

WHY DID YOU GET THIS NOTICE?

You received this notice because Penn Treaty's records show that you are a member of a proposed class of policyholders that would be affected by a proposed nationwide settlement of a class action lawsuit. The Court has given its preliminary approval to the settlement, and has ordered that this notice be sent to you and all other class members so that you may consider your options.

Your options are explained in detail below, but may be summarized as follows:

1. You may select one or more benefits on the Election Form included with this notice, which will leave you in the Class.

2. You may do nothing at this time, which will leave you in the Class, but may waive your right to the benefits offered under the Settlement Agreement.

3. You may remove yourself from the Class by "opting out."

4. You may stay in the Class, but file an objection to the proposed settlement.

WHAT IS THIS CASE ABOUT?

1. What are the allegations against Penn Treaty?

Plaintiffs have alleged that Penn Treaty offered class members Home Health Care, Long-Term Care and Comprehensive policy premiums at a below-market rate and knew or should have known

that it would be required to substantially increase premiums and/or decrease benefits in order to maintain Penn Treaty's profitability; Penn Treaty failed to disclose this fact and misled class members into believing that the Policies were "guaranteed renewable" with age; and class members have been damaged as a result of this conduct.

2. What is Penn Treaty's response to these allegations?

Defendants vigorously deny all of Plaintiffs' allegations and contend that Defendants' right to raise premiums is specifically set forth in bold, capitalized letters on the face of each of the policies; all premium increases were proper under applicable law (including laws requiring approval of such premium increases by regulatory authorities). Further, Defendants have asserted numerous defenses to Plaintiffs' claims, including that Defendants have a legal and contractual right to raise premium rates on these policies.

3. Why are the parties agreeing to a settlement agreement?

There has not been a trial and the court has not determined whether any of Plaintiffs' allegations are valid. However, in order to resolve the matter, in order to reduce further litigation expense and the burdens and uncertainties of protracted litigation, Plaintiffs and Penn Treaty have agreed to settle this case.

WHAT POLICIES DOES THIS SETTLEMENT INCLUDE?

This settlement expressly includes, but is not limited to, policies issued on forms A2400, AF2400, CFLTC94R-N, CLTC94-N, CLTC94R-N, FPF2600R-N, FIL2-A, FIL2-N, FIL2-P, FIL2R-P, FIL94R-P, FLTCTP-6500-N, FLTCTP-6500-P, FLTCTP-6500R-P, FLTCTP-6700-N, FLTC91-P, FLTC91-N, FLTC91R-P, FLTC91R-N, FLTC94-P, FLTCTP-6000-P, FLTCTP-6000N, FLTCTP-6000R-P, FLTCTP-6500-N, FNF93-N, FPF2600-N, FPF2600-P, FPF2600R-P, H2400R, HHC, HHC-2, HHC-4, HHC-4STD, HHC-4STD2, HHC92-N, HHC92-P, HHC92R-P, HHC92R-N, HHC94-N, HHC94R-N, HHC94R2-N, HHC-MD, IL2-A, IL2-N, IL2-P, IL2R-P, IL3-P, IL94-H, IL94-N, IL94-P, IL94R-N, IL94R-P, IL94R2-N, IL-94-95-N, LTC-1, LTC-3, LTC91-N, LTC91-P, LTC91R-N, LTC91R-P, LTC92N-N, LTC92-N, LTC93-N, LTC93C-N, LTC93CR-N, LTC94-N, LTC94-P, LTC300, LTC400, LTC921-N, LTCTP-6000-A, LTCTP-6000-N, LTCTP-6000-P, LTCTP-6500-A, LTCTP-6500-N, LTCTP-6500-P, LTCTP-6500R-P, LTCTP-6700-N, LTCTP-6700-P, LTCTP-6700R-P, N2400, N2400R, N2400R2, NF93-N, NF93R-N, NF2400, NF2400R, NHP-A, NHP-B, NHP-800, NHP800GR, NHP-2000, P2400, P2400R, P2400R2, PF2400R, PF2600-A, PF2600-H, PF2600-N, PF2600-P, PF2600R-N, PF2600R-P, PF2600R2-N, SNH-30, and SNH-30-R, as issued or force in any state during the time period described above.

WHAT POLICIES DOES THIS SETTLEMENT EXCLUDE?

This settlement excludes policies issued on forms ALP-P, ALP-TQ-P, ALP2-A, ALP2-P, ALP2-TQ, ALP2-TQ-A, ALP2-TQ-P, FALP-P, FALP-TQ-P, FALP2-A, FALP2-P, FALP2-TQ-A, FALP2-TQ-P, FIL4-P, FIL5-A, FIL5-P, FIL5-TQ-A, FIL5-TQ-P, FPF3-A, FPF3-P, FPF3-TQ-A, FPF3-TQ-P, IL4-P, IL4-TQ-P, IL5-A, IL5-P, IL5-TQ-A, IL5-TQ-P, PF2600-2, PF2600-2-TQ, PF3-A, PF3-P, PF3-TQ-A, PF3-TQ-P, SR400, SR400R, SR400-P, and SR400-TQ-P.

WHAT DOES THE SETTLEMENT PROVIDE TO CLASS MEMBERS?

The settlement provides class members with different benefits, depending on whether or not your Penn Treaty Policy is currently in force. If you are a class member with an in-force policy, see number "1" below. If you are a class member with a lapsed or cancelled policy, see number "2" below.

1. What does the settlement provide to class members with an in-force or current policy?

If you are a member of the Class and you currently have a policy from the Defendants, you have the right to a "Replacement Benefit" or a "Retention Benefit."

(a) What is the "Replacement Benefit"?

The Replacement Benefit is the right to replace your current policy with a replacement policy (the "Replacement Policy") at a 9% discount for the life of the policy, subject to standard underwriting (including for your current medical conditions) based upon your current attained age. (A brochure describing the Replacement Policy can be obtained from the Settlement Administrator at _____ or on the Settlement Website at _____).

(b) What is the "Retention Benefit"?

The Retention Benefit is the right to keep your current policy and the "contingent non-forfeiture" benefit described in this paragraph, subject to Penn Treaty's right to file for and implement premium increases. If you select this option, you will be eligible for a "contingent non-forfeiture" benefit equal to 50% of all premiums paid less any claims paid and/or premiums returned when rate increases applied for and implemented after October 31, 2004 (the "Trigger Date") accumulate to a specified percentage for your issue age (the "Trigger"), as further described in the Settlement Agreement and set forth in the schedule attached to the Settlement Agreement as Exhibit A.

(c) What if I select the Replacement Policy, but fail the underwriting requirements?

If you apply for the Replacement Policy, but fail the underwriting requirements (*i.e.*, you do not qualify for the policy based upon your current attained age and medical conditions), you are entitled to the Retention Benefit.

(d) What if the Replacement Policy is not available in my state?

If you have an in-force policy and you select the Replacement Benefit, but you live in a state where the Replacement Policy is currently unavailable, you may select this benefit on your Election Form no more than 15 days prior to the Final Approval Hearing and you will be provided the opportunity to switch to this policy if it becomes available within two years from the date of final approval of the settlement, based on your then attained age and then current medical conditions. In the meantime, you will receive the Retention Benefit described in 1(b) above.

2. What does the settlement provide to class members who have cancelled their policy or let their policy lapse?

If you are a member of the Class and you have either cancelled your policy or let it lapse, you are eligible to apply for the Replacement Policy at a 9% discount for the life of the policy, subject to standard underwriting (including for your current medical conditions) based upon your current attained age.

(a) What if the Replacement Policy is not available in my state?

If you live in a state where the Replacement Policy is currently unavailable, and you would like an opportunity to apply for this policy when it becomes available, you must select the Replacement Policy on the enclosed Election Form no more than 15 days before the final hearing approving this settlement. If you make this selection and the Replacement Policy does not become available within 2 years after the final hearing approving this settlement, you shall receive the "Non-Forfeiture Benefit" described in the next paragraph, provided you selected this backup option on your Election Form at least 15 days before the final hearing.

(b) What if I have cancelled my policy or let it lapse, and apply for the Replacement Policy, but fail the underwriting requirements?

If you are a member of the Class and you have either cancelled your policy or let it lapse and you apply for the Replacement Policy, but fail the underwriting requirements (*i.e.*, you do not qualify for the policy based upon your current attained age and medical conditions), you are entitled to coverage for future claims under your lapsed or cancelled Home Health Care or Long-Term Care or Comprehensive Policy equivalent to 5% of premiums paid less any claims paid and/or premiums returned, as a non-forfeiture benefit (the "Non-Forfeiture Benefit"), pursuant to the terms of the Policy.

3. What if I do not return the Election Form which is enclosed with this Notice?

Class members with currently in-force policies who do not submit a properly completed Election Form to the claims administrator, postmarked no later than 15 days prior to the final hearing approving this settlement and who do not opt-out, will receive the Retention Benefit described in 1(b) above.

Class members with lapsed or cancelled policies who do not submit a properly completed Election Form to the claims administrator no later than 15 days prior to the final hearing approving this settlement and who do not opt-out, will waive any right to any benefit under this Settlement Agreement.

If you have timely returned your Election Form, upon final approval of the Settlement, you will receive further information describing the benefits which you have elected.

4. What if I have more than one policy included in this Settlement?

If you have more than one policy included in this Settlement, you are eligible to receive benefits in connection with each of those policies, but you must return a separate Election of Benefits Form for each policy and you should indicate on the Election of Benefits Form, that you have elected benefits for more than one policy.

If you have a joint policy (Husband and Wife), indicate this on your Election of Benefits Form and then you and your spouse must each elect separate benefits. To the extent that you or your spouse elect, and qualify for, the Replacement Benefit, separate policies will be issued.

5. What are the attorneys' fees and costs and who is paying them?

Counsel for Plaintiffs and the Settlement Class have applied to the Court for an award of attorneys' fees and costs not to exceed $3.2375 Million as compensation for creation of the class settlement benefits. This amount was independently negotiated between Class Counsel and Penn Treaty after the parties agreed on the settlement benefits of the class.

The award of fees and costs will not diminish the value of the settlement benefits available to the class. The Court has made no determination as to what fees and reimbursement of costs and expenses is appropriate, yet. The Court will decide how much Class Counsel will receive during or following the final hearing approving this settlement.

Penn Treaty has also agreed to pay all costs associated with implementation of the Settlement, including without limitation, costs of Notice of the Settlement Agreement to Class Members, including costs of printing, mailing and publication.

WHAT ARE MY OPTIONS?

You have four options:

1. **You may select one or more benefits on the election form included with this notice, which will leave you in the Class.**

2. **You may do nothing at this time, which will leave you in the Class, but which may limit or waive your rights under the Settlement.**

3. **You may remove yourself from the Class by "opting out."** You may choose to get out of the Class by submitting a timely Opt-Out Notice for each policy in accordance with this Notice. If a policy covered by this Settlement has more than one Owner, and one owner submits a proper Opt-Out Notice regarding that policy, all other Owners will be treated as if they had opted-out with regard to that policy also. If you want to opt-out, here is what you need to do:

   a. Prepare an Opt-Out Notice in writing. This Notice must contain:

      (1) Your name and address;

      (2) The policy number;

      (3) A statement that you want to opt-out of the Settlement, and receive none of the benefits of the Settlement;

      (4) If you are submitting a request for exclusion as a representative of a settlement class member, the capacity in which you are acting;

      (5) Your signature.

   b. Mail your opt-out notice first-class mail, postage prepaid, by [25 days prior to the Final Approval Hearing] to:

      [ ]

There are two important things to remember about opting out: First, if you Opt-Out, you will not receive any of the benefits under the Settlement Agreement. Second, if you do not Opt-Out, you will be a member of the Class, and you will receive the option of selecting the benefits on the Election Form, as described above and in the Settlement Agreement.

4. **You may stay in the Class, but file an objection to the proposed settlement.** If you want to object to the Settlement, here is what you must do:

   a. Prepare a written objection. The Objection must contain:

      (1) Your name, address and policy number;

(2) Your objection to the settlement;

(3) A statement that you have not opted-out;

(4) Your signature.

b. Mail your objection first-class mail, postage prepaid, by [25 days prior to the Final Approval Hearing] to:

(1) The Marion County Clerk's Office, [P.O. Box _____], Ocala, Florida 34475;

(2) Andy Dogali, Forizs & Dogali, 4301 Anchor Plaza Parkway, Suite 300, Tampa, Florida 33634;

(3) David L. Yohai, Weil, Gotshal & Manges, LLP, 767 Fifth Avenue, New York, NY 10153

There are four important things to remember about objecting: First, if you opt-out, you can't object. Second, if your objection is not timely, it may not be considered by the Court. Third, you do not have to hire a lawyer to object, but you can if you want to. If you hire a lawyer, he or she must file a notice of appearance with the Court no later than [25 days prior to the Final Approval Hearing], or as the Court may otherwise direct, and serve copies on Class Counsel and Penn Treaty's Counsel at the addresses set forth above, postmarked no later than [25 days prior to the Final Approval Hearing]. Fourth, if you or your attorney wishes to appear at the Final Approval Hearing, he or she must file with the Court a notice of intent to appear no later [25 days prior to the Final Approval Hearing].

WHAT IS THE FINAL APPROVAL HEARING AND WHEN IS IT?

A Final Approval Hearing will be held at _____ on _____, 2005, before the Honorable Jack Singbush, in the courtroom of the Fifth Judicial Circuit of the State of Florida in and for Marion County, which is located at 110 Northwest 1st Avenue, Ocala, Florida 34475. The purpose of this hearing is to determine:

1. whether the proposed settlement, as set forth in the Settlement Agreement, is fair, adequate and reasonable, and in the best interests of class members;

2. whether the Final Order should be entered approving the Settlement Agreement and dismissing the pending claims against Penn Treaty with prejudice and on the merits, and releasing the Class Claims against Penn Treaty;

3. whether the Court should approve the applications for payment of attorneys' fees, reimbursement of costs and expenses that are to be filed by Class Counsel; and,

4. whether the Court should approve applications for payment of an incentive award to the class representatives.

Unless you Opt-Out, as explained above, you may appear at the Final Approval Hearing in person or by counsel, provided you submit your written objection to the Court, as above. The Final Approval Hearing may be postponed or adjourned by the Court, without further prior notice.

The Court may approve the Settlement Agreement, or may approve it with changes as may be agreed upon by the Parties without further notice to the members of the Class.

WHAT ARE THE CONSEQUENCES OF THE SETTLEMENT?

1. If the Settlement Agreement is approved by the Court:

a. **The litigation will be dismissed with prejudice.** The parties also will seek dismissal with prejudice any other related class action lawsuits pending around the country, against these Defendants, which contain allegations similar to those in this litigation.

b. **Penn Treaty will be released from the "Class Claims" asserted in this lawsuit on behalf of all class members, except those who Opt-Out.** "Release" and "Class Claims" are defined below.

c. Class members who timely returned a properly completed Election Form will be entitled to benefits as described above in this Notice.

d. **Class members with currently in-force policies who do not Opt-Out and do not timely return a properly completed Election Form will receive the Retention Benefit described above.**

e. Class members with lapsed or cancelled policies who do not Opt-Out and do not timely return a properly completed Election Form **will waive any right to any benefit.**

2. Release: **The release of claims to be given to defendants in the proposed settlement is broad and will, with certain exceptions, release all claims under federal and state law, which you may have against defendants and others concerning these policies. The full text of the release is set forth below:**

RELEASE: Upon the Court's entry of a Final Order and Judgment approving the Proposed Settlement, and by operation of such judgment entered by the Court, Plaintiffs and the Settlement Class, for themselves and for all of their respective heirs, executors and administrators, and for their respective representatives, predecessors, successors and assigns, shall release and forever discharge Penn Treaty and its past, present, and future officers, directors, agents, employees, partners, independent contractors, consultants, experts, administrators, insurers, reinsurers, indemnitors, attorneys, advisors, representatives, predecessors and successors, corporate parent companies and subsidiaries, divisions, affiliates, shareholders, and the heirs, executors, administrators, successors, attorneys and assigns of any of the foregoing (collectively "Defendants") from any and all Class Claims, whether based on any federal or state law or a right of action, in law or in equity or otherwise, which the Plaintiffs and the Class Members or any of them ever had, now have, or can have, or shall or may hereafter have (the "Released Transactions").

Class Claims means: all claims which were or could have been brought against Penn Treaty insofar as they apply to the Policies (including without limitation all claims which were brought or could have been brought in the Complaint), including but not limited to:

(A) any claims arising out of any acts, failures to act, omissions, oral or written representations, facts, events, transactions or occurrences set forth or alleged in the Actions or in any way related directly or indirectly to the subject matter of the Actions;

(B) any claims for fraud, non-disclosure, deceptive trade practices, or other claims related to premium increases, marketing, solicitation, application, underwriting, acceptance, sale, purchase, operation, retention, improper payment of premium, administration, replacement, or suitability of any policy issued by any of the Defendants or in force during the Class period, except for claims for bad faith denial of claims to be provided under Home Health Care, Long-Term Care or Comprehensive Policies;

(C) any and all acts, omissions, facts, matters, transactions, occurrences or oral or written statements or representations made or allegedly made in connection with or directly or indirectly relating to the

Settlement Agreement or the settlement of the Actions, except nothing in this Release shall preclude any action to enforce the terms of the Settlement; and

(D) any and all claims for attorneys' fees, costs or disbursements incurred by Plaintiffs' counsel or by Plaintiffs or the Class Members, or any of them, in connection with or related in any manner to the Actions, the settlement of the Actions, or the administration of such settlement, except to the extent otherwise specified in this Settlement Agreement.

Plaintiffs and the Class Members expressly understand that Section 1542 of the California Civil Code provides that "a general release does not extend to claims which a creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Plaintiffs and the Class Members hereby agree that (i) the provisions of Section 1542 are hereby knowingly and voluntarily waived and relinquished, and (ii) the provisions of all similar federal or state laws, rights, rules, or legal principles of any other jurisdiction, to the extent that they are found to be applicable herein, are also hereby knowingly and voluntarily waived and relinquished. Plaintiffs and the Class Members acknowledge that they are aware that they may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those which they now know or believe to be true with respect to the matters released herein. Nevertheless, it is the intention of Plaintiffs and the Class Members in executing this Release to fully, finally and forever settle and release all such matters, and all claims relating thereto, which exist, hereafter may exist, or might have existed (whether or not previously or currently asserted in any action).

3. If you remain a class member by not excluding yourself from the class, in the manner described above, you will be submitting yourself to the jurisdiction of Florida state courts for the purposes of this settlement and judgments issued by the court, whether favorable or not, and the release given in connection with the proposed settlement will be binding upon you and you will not be able to commence or continue any other litigation, arbitration, administrative proceeding, or other claim against any defendant herein in any other forum with respect to the settled claims.

WHERE CAN I LEARN MORE ABOUT THIS SETTLEMENT?

This Notice contains only a summary of the Proposed Settlement. The terms of the Proposed Settlement are set forth in detail in the Proposed Settlement Agreement, which is available to the public to review at the Marion County Clerk's Office, 110 Northwest 1st Avenue, Ocala, Florida 34475. You may also obtain a copy of the Proposed Settlement Agreement by sending a written request to:

[ ]

or by accessing the Penn Treaty Settlement Website at [ ]. If you have questions concerning how to receive benefits under this Settlement, you can call toll free at [ ]. You may also review the Penn Treaty Settlement Website at [ ].

You may seek the advice of your own attorney if you desire. **PLEASE DO NOT CONTACT THE COURT, THE CLERK'S OFFICE OR THE JUDGE, EXCEPT AS SPECIFICALLY AUTHORIZED ABOVE.**

DATED: July ___, 2005

By Order of the Honorable Judge Jack Singbush
Fifth Judicial Circuit of the State of Florida In And For Marion County