



## Frequently Asked Questions

July 1, 2023

### Senior Health Insurance Company of Pennsylvania in Rehabilitation

#### Key Information

- On January 29, 2020, Senior Health Insurance Company of Pennsylvania ("SHIP") was placed in rehabilitation.
- Rehabilitation is a court-supervised process that attempts to address the financial problems of a company.
- A court-appointed Rehabilitator, Special Deputy Rehabilitator, and the Rehabilitation Management Team are charged with the protection of SHIP's policyholders, creditors, and the public.
- On April 22, 2020, a proposed Plan of Rehabilitation was filed with the Pennsylvania Commonwealth Court, and the Commonwealth Court approved the Second Amended Rehabilitation Plan (the "Rehabilitation Plan") on August 25, 2021.
- On September 21, 2021, the Maine, Massachusetts, and Washington Insurance Commissioners filed an appeal of the Rehabilitation Plan with the Supreme Court of Pennsylvania arguing that the Rehabilitation Plan should not be implemented.
- In January 2022, the Rehabilitator began implementing the Rehabilitation Plan by sending policyholder election packages to policyholders in certain states.
- In September 2022, the Rehabilitator notified policyholders that implementation of policyholder elections under the Rehabilitation Plan would be delayed due to developments in the rehabilitation, including court proceedings.
- On June 20, 2023, the Pennsylvania Supreme Court affirmed the Commonwealth Court's approval of the Rehabilitation Plan.
- Following the affirmance by the Pennsylvania Supreme Court, the Rehabilitator indicated that policyholder elections for premium and benefit modifications pursuant to the Rehabilitation Plan will become effective in September 2023 for policyholders who have made such elections (and have not had a change in status requiring new elections). Other policyholders will be asked to make elections at later dates, and corresponding policy modifications will be implemented after those elections.

The following questions and answers relate to the SHIP rehabilitation, are based on sources believed to be accurate, and are provided solely for general informational purposes. They do not address any specific situation, claim, or circumstance and are not intended to serve as legal or financial advice or as a complete legal description of the matters to which they relate. Nothing herein constitutes a binding legal representation or statement by the National Organization of Life and Health Insurance Guaranty Associations or any individual guaranty association. You should consult with an appropriate advisor if you have specific legal or financial questions concerning your individual circumstances.

## **General Information About this Document**

### **1. Why was this document created?**

These Frequently Asked Questions were prepared by the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") and representatives of the guaranty associations of states in which SHIP is or was licensed to issue insurance policies. They are an attempt to answer common questions that policyholders may have about the rehabilitation of SHIP, their ongoing insurance coverage, and the guaranty association system.

**Please note that NOLHGA and individual guaranty associations were not involved in the development of the Rehabilitation Plan or any policyholder-specific materials.** While this document was created as a resource to policyholders, we encourage policyholders to direct questions about the rehabilitation of SHIP, the Rehabilitation Plan, and the related policyholder election packages to the Rehabilitator. The Rehabilitator has established two toll-free numbers for policyholder inquiries:

#### **SHIP Customer Service**

877.450.5824

(for general policy and claims administration questions)

#### **Rehabilitation Questions**

833.894.8577

(for questions about Rehabilitation, the Rehabilitation Plan, and policyholder elections)

## **Rehabilitation Court Proceedings**

### **2. What is the current status of SHIP?**

On January 29, 2020, SHIP was placed in rehabilitation by order of the Commonwealth Court of Pennsylvania ("Court"). Rehabilitation is a court-supervised process that attempts to address the financial problems of a company. The Court appointed Pennsylvania Insurance Commissioner Jessica K. Altman as Rehabilitator, and Commissioner Altman appointed Patrick H. Cantilo as Special Deputy Rehabilitator ("SDR"). In February 2022, Commissioner Altman resigned, and Michael Humphreys succeeded her as Insurance Commissioner and Rehabilitator. The Rehabilitator and SDR are part of the Rehabilitation Management Team, which also includes Chief Rehabilitation Officer Robert L. Robinson, Deputy Insurance

Commissioner Laura Lyon Slaymaker, and the Office of Liquidations, Rehabilitations and Special Funds.

On April 22, 2020, the Rehabilitator filed a proposed Plan of Rehabilitation with the Court; the Rehabilitation Plan was amended twice before it was approved on August 25, 2021. (The approved Rehabilitation Plan and related Court filings are available at [www.shipltc.com/court-documents](http://www.shipltc.com/court-documents).) The state insurance regulators from Maine, Massachusetts and Washington appealed the approval of the Rehabilitation Plan to the Pennsylvania Supreme Court ("Supreme Court") on September 21, 2021. Those insurance regulators argued that the Rehabilitation Plan should not be implemented. The Supreme Court heard oral argument on the appeal in September 2022 and affirmed the Court's approval of the Rehabilitation Plan on June 20, 2023.

In addition, Insurance Commissioners in a few states initiated separate state court proceedings challenging implementation of the Rehabilitation Plan and sought preliminary injunctions against implementation of the Rehabilitation Plan in their states. At least four state courts have granted temporary injunctions or temporary restraining orders suspending implementation of the Rehabilitation Plan in their states. Related court filings can be found at <https://www.shipltc.com/related-proceedings>. In addition, at least eleven Insurance Commissioners have issued a cease and desist order against implementation of the Rehabilitation Plan.

The Rehabilitator began implementation of the Rehabilitation Plan while the regulators' appeal was being considered by the Supreme Court. The Rehabilitator mailed policyholder election packages to policyholders in certain states beginning in January 2022. Following the affirmance by the Supreme Court in June 2023, the Rehabilitator indicated that policyholder elections for premium and benefit modifications pursuant to the Rehabilitation Plan will become effective in September 2023 for policyholders who have made such elections (and have not had a change in status requiring new elections). Other policyholders will be asked to make elections at later dates, and corresponding policy modifications will be implemented after those elections. Template versions of the policyholder election materials and instructional videos for policyholders are available on the SHIP website at <https://www.shipltc.com/election-package-overview>. If you have questions about the policyholder election package you received in the mail from the Rehabilitator, or if you have not received such a package and you would like to determine why, you should consult the SHIP website at [www.shipltc.com](http://www.shipltc.com) for more information or contact SHIP at 833.894.8577 for additional assistance.

### **3. Why was SHIP ordered into rehabilitation?**

On March 1, 2019, SHIP filed its annual statutory financial statement with the Pennsylvania Insurance Department ("Department"). This statement reported that as of year-end 2018, SHIP's liabilities exceeded its assets by \$466 million. Additionally, SHIP's risk-based capital ("RBC") report showed its total adjusted capital was substantially below the RBC level that requires mandatory control by the Department. With the consent of SHIP's board of directors and the trustees of the Senior Health Care Oversight Trust (which became SHIP's owner in

2008), the Court placed SHIP in rehabilitation and required the Department to take control of SHIP for the protection of policyholders and creditors. The Court also ordered the Rehabilitator to look at options to fix the financial deficit.

## **Implementation of the Rehabilitation Plan**

### **4. What will happen to my insurance policy while SHIP is in rehabilitation?**

The Rehabilitator is moving forward with implementation of the Rehabilitation Plan. Some policyholders received policyholder election materials and made elections in 2022. Other policyholders will be asked by the Rehabilitator to make elections at later dates. The policyholder election package is from the Rehabilitator and provides you with the opportunity to make an election from the various coverage options being offered under the Rehabilitation Plan. The coverage election you make will alter your existing contract benefits permanently. The policyholder election materials address the timing of any changes you elect.

Policyholders who wish to continue their coverage with SHIP should continue to pay any premiums due under their policies with SHIP. If you do not pay your premiums, your policy could be cancelled and coverage could cease. If you have questions about paying your premiums, please review the SHIP website – [www.shipltc.com](http://www.shipltc.com) – or call SHIP Customer Service at 877.450.5824.

The Rehabilitator will continue to communicate with policyholders during rehabilitation, and you should carefully review any and all communications you receive from the Rehabilitator, so you know and understand your rights during rehabilitation. If you have questions about the policyholder election package you received in the mail from the Rehabilitator, or if you have not received such a package and would like to determine why, you should consult the SHIP website at [www.shipltc.com](http://www.shipltc.com) for more information or contact SHIP at 833.894.8577 for additional assistance.

### **5. Who should I contact if I had a change in status since I made my election or I cannot recall my election?**

You should contact SHIP at the toll-free number: 833.894.8577.

### **6. I received my policyholder election package in the mail, but I am struggling to decide which coverage option is best for me. Where can I get help?**

The guaranty associations did not design the Rehabilitation Plan that will determine how any particular policy or premium may or may not be modified under the Rehabilitation Plan or the related policyholder election materials. We understand that helpful information can be obtained by calling SHIP at the toll-free number: 833.894.8577. Sample forms and instructions, including several short videos, are available on SHIP's website at <https://www.shipltc.com/election-package-overview>.

In addition, you may want to consult with a family member and/or trusted advisor as you review the materials and consider the options available to you or if you have specific legal or

financial questions concerning how the Rehabilitation Plan and/or any policy or premium modification affects you.

## **Information on Premiums, Claims & Benefits**

### **7. Should I keep paying my premiums?**

Failure to pay any policy premiums due in full and on time may cause your policy to terminate and could cause you to lose your benefits. If you have questions about paying your premiums, please review the SHIP website – [www.shipltc.com](http://www.shipltc.com) – or call SHIP Customer Service at 877.450.5824 or the SHIP Rehabilitation Inquiries – Policyholders line at 833.894.8577.

### **8. Does SHIP's rehabilitation impact policy coverage, benefits, or premiums?**

The Rehabilitator has begun implementation of the Rehabilitation Plan, which involves offering policyholders personalized options to modify their policy benefits and/or premiums. The guaranty associations were not involved in the development of the Rehabilitation Plan or the policyholder election package materials, so you should call SHIP at 833.894.8577 with your questions about the Rehabilitation Plan or the materials you received in the mail.

All ongoing or new claims should be reported to SHIP in accordance with its established procedures. The Rehabilitator will continue to communicate with policyholders during rehabilitation, and you should carefully review any and all communications you receive from the Rehabilitator, so you know and understand your rights during rehabilitation.

## **Life and Health Insurance Guaranty Associations**

### **9. What is a life and health insurance guaranty association?**

Every state (including the District of Columbia and Puerto Rico) has a life and health insurance guaranty association. Guaranty associations continue coverage and pay claims under covered policies, in accordance with state law, when a life or health insurance or annuity company goes out of business through a liquidation order issued by a court.

All insurance companies (with limited exceptions) licensed to write life and health insurance or annuities in a state must be members of the state's life and health insurance guaranty association ("member company"). If a member company becomes insolvent and is ordered liquidated, the guaranty associations continue coverage and pay claims under the member company's covered policies in accordance with state laws.

### **10. What is the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA)?**

NOLHGA is a voluntary association made up of the life and health insurance guaranty associations of all 50 states and the District of Columbia. NOLHGA assembles a task force of guaranty association officials when a life or health insurer which has written business in multiple states is placed in rehabilitation or liquidation. This task force analyzes the company's policies, ensures that covered claims are paid when guaranty associations are

triggered, and pursues opportunities for covered policies to be transferred to a healthy insurer (when possible) in the event of the issuing insurer's liquidation.

Since its creation in 1983, NOLHGA has assisted its member guaranty associations in protecting over 2.6 million policyholders and annuitants of insolvent member companies. In providing that protection, the guaranty associations have contributed approximately \$9.1 billion in funds, guaranteed almost \$27 billion in insurance promises owed to consumers, and worked on more than 100 multi-state insolvencies.

**11. When do guaranty associations continue coverage and pay claims?**

Guaranty associations typically continue coverage and pay claims when the court issues a liquidation order with a finding of insolvency. At this time, there is *not* a liquidation order, so the guaranty associations are not activated to continue coverage and pay claims for SHIP policyholders.

**12. Does the implementation of the Rehabilitation Plan trigger the guaranty associations?**

Guaranty associations typically are triggered when a court issues a liquidation order with a finding of insolvency against an insurer. At this time, no guaranty association has been activated to continue coverage and pay claims for SHIP policyholders.

**13. Will the guaranty associations provide coverage now to supplement what policyholders will receive under the Rehabilitation Plan?**

No. SHIP is in rehabilitation and has not been placed in liquidation, and, at this time, no guaranty associations have been triggered.

**14. Which guaranty association will continue my coverage and pay claims if SHIP is placed in liquidation? Does it matter where I live?**

Yes, it does matter. Even if your policy was purchased in another state, generally the guaranty association in your state of residence at the time of liquidation will continue your coverage and pay claims. This is subject to some state law exceptions and exclusions.

**15. What coverage will the guaranty association provide if SHIP is placed in liquidation?**

The guaranty association guarantees coverage up to the lesser of the applicable statutory coverage limit or the amount you are entitled to receive under your policy, according to the terms and conditions of the policy at the time of liquidation. The applicable statutory coverage limit for long-term care insurance is \$300,000 in most states. If your policy benefits are less than or equal to the guaranty association's benefit level, your policy will be fully covered. If your policy benefits are more than the guaranty association's benefit level, you are guaranteed at least that level of coverage.

**16. If SHIP goes into liquidation, would my state guaranty association be obligated to cover my original contract benefits (that is, my benefits before they were modified by the Rehabilitation Plan)?**

Typically, the guaranty associations provide protection based on policy terms in effect on the date the company is placed in liquidation by a court. SHIP is in rehabilitation and has not been placed in liquidation, and the guaranty associations have not been triggered.

As stated in the Court-approved Rehabilitation Plan, any changes made to your SHIP policy as part of the rehabilitation are permanent changes. The guaranty associations will guarantee coverage up to the lesser of their statutory limit *or* the amount you are entitled to receive under your policy, according to the terms and conditions of the policy at the time of liquidation. A final determination of coverage will be made if/when your state guaranty association is triggered.

**17. Are guaranty association laws the same in all states?**

Most state guaranty association laws are based on a Model Act of the National Association of Insurance Commissioners (NAIC). However, these laws can vary from state to state.

**Contact Information**

**18. Who can answer questions about SHIP's rehabilitation?**

<p>If you have questions about SHIP's rehabilitation, you may contact the company at:</p>	<p>Senior Health Insurance Company of Pennsylvania  P.O. Box 64913  St. Paul, MN 55164  Email: <a href="mailto:Rehabilitation@shipltc.com">Rehabilitation@shipltc.com</a>  Toll-Free No.: 833.894.8577</p>
<p>For general rehabilitation questions and information, you can review SHIP's website at:</p>	<p><a href="https://www.shipltc.com/about-rehabilitation">https://www.shipltc.com/about-rehabilitation</a>   This portion of the SHIP website includes detailed FAQs for policyholders, agents and brokers, other creditors, and general inquiries.</p>
<p>For questions related to the policyholder election packages, you can review instructional materials on SHIP's website at:</p>	<p><a href="https://www.shipltc.com/election-package-overview">https://www.shipltc.com/election-package-overview</a>   This portion of the SHIP website includes templates of the policyholder election materials, step-by-step instructions for completing the election form, and instructional videos for policyholders.</p>

**19. Who can answer questions about my policy?**

If you have policy or claim questions, you should continue to contact SHIP Customer Service at 877.450.5824.

**20. Who can answer questions about guaranty association issues?**

The guaranty association in your current state of residence can answer additional questions you may have about the guaranty association system. You can find contact information for your guaranty association at [www.nolhga.com/policyholderinfo/main.cfm](http://www.nolhga.com/policyholderinfo/main.cfm).