



## SHIP IN REHABILITATION FREQUENTLY ASKED QUESTIONS

On January 29, 2020, Senior Health Insurance Company of Pennsylvania (SHIP) was placed in rehabilitation by the Commonwealth Court of Pennsylvania (the Court). The following are answers to frequently asked questions.

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**Question 1: What does rehabilitation mean?**

**Answer:** Rehabilitation is a court supervised process intended to remedy the company's financial deterioration for the benefit of policyholders and creditors. The Rehabilitator and the Special Deputy Rehabilitator (SDR), in conjunction with the Rehabilitation Management Team (RMT), are charged with the protection of SHIP's policyholders, creditors, and the public. The RMT's actions are dictated by the laws and regulations of Pennsylvania and are subject to review by the Commonwealth Court.

**Question 2: Is SHIP still in business?**

**Answer:** Yes. Although SHIP was placed in rehabilitation, it is currently continuing to conduct its business as usual subject to the limitations of rehabilitation explained here.

**Question 3: Is SHIP selling new insurance policies?**

**Answer:** No. SHIP has not sold new policies since 2003 and that has not changed. That is why its business is sometimes called a "closed block."

**Question 4: Who is in charge during rehabilitation?**

**Answer:** The Court appointed Pennsylvania Insurance Commissioner Jessica K. Altman (the Commissioner) as Rehabilitator. The Commissioner and the Pennsylvania Insurance Department (Department)'s Office of Liquidations, Rehabilitations and Special Funds (OLRSF), under the direction of Deputy Commissioner Laura Lyon Slaymaker, are in charge of SHIP's rehabilitation, as they are of all Pennsylvania insurance liquidations and rehabilitations. The Commissioner has appointed Patrick H. Cantilo as SDR. He will work with the RMT to direct SHIP's rehabilitation.

**Question 5: Who is the Rehabilitation Management Team?**

**Answer:** The RMT is an informal group that consists of the Rehabilitator, the SDR, Deputy Commissioner Laura Lyon Slaymaker and the OLRFSF. It also includes Robert L. Robinson, who serves as Chief Rehabilitation Officer (CRO) to manage SHIP's and Fuzion's day-to-day operations, and other counsel and consultants.

**Question 6: Who is the Special Deputy Rehabilitator?**

**Answer:** As contemplated by the Rehabilitation Order and 40 P.S. § 221.16, the Commissioner has appointed Patrick H. Cantilo, an insurance rehabilitation expert, as SDR. Under the Rehabilitation Order and the statute Mr. Cantilo “shall have all the powers of the rehabilitator” and will be in charge of the company’s day-to-day affairs and of the rehabilitation efforts, subject to the oversight of the Commissioner, the Department, and the Court.

**Question 7: What does the Rehabilitation Order provide?**

**Answer:** You should review the Rehabilitation Order (available at [www.shipltc.com](http://www.shipltc.com)) in its entirety. Generally the Rehabilitation Order, in keeping with Pennsylvania law appoints the Commissioner as Rehabilitator and authorizes and directs the Commissioner as Rehabilitator and the SDR to take possession of SHIP’s business and take such actions as are necessary to correct the condition that prompted SHIP’s rehabilitation.

**Question 8: How will rehabilitation change the company’s business?**

**Answer:** Initially, SHIP will continue operating largely as it has been though under the control of the RMT. Cost saving measures will be implemented immediately as will efforts to conserve SHIP’s assets and control its debts. If a Rehabilitation Plan is approved by the Court, changes will be made in SHIP’s business under the plan, as explained below

**Question 9: Why was this action necessary?**

**Answer:** On March 1, 2019, SHIP filed with the Pennsylvania Insurance Department its 2018 statutory annual financial statement reflecting a surplus deficit of more than \$466 million, rendering the company statutorily insolvent as defined in 40 P.S. § 221.3. Additionally, the Company’s most recent risk-based capital (“RBC”) report indicates that its total adjusted capital is substantially below its mandatory control level RBC, thereby triggering a “mandatory control level event” as defined in 40 P.S. § 221.1-A. When that happens, insurance regulators are required to take control of an insurer for the protection of policyholders and creditors.

**Question 10: What has caused these financial problems?**

**Answer:** As is typical with financially troubled insurers, there are many contributing causes to SHIP’s difficulties, including poor performance of investments and other such matters the details of which are not yet fully known to the Rehabilitator. However, one key contributing factor that is common to many long-term care insurers is that the expected cost of benefits that will be due under the insurance policies in effect greatly exceeds the assets and expected revenues from which such benefits will have to be paid.

**Question 11: What has caused this shortfall in assets and expected revenues?**

**Answer:** Many issues contributed to this shortfall and it is too early for the Rehabilitator to be able to identify them with specificity. One that stands out, however, is that the premiums charged historically for many, if not most, of SHIP's long-term care insurance policies were inadequate for the benefits expected to be due under such policies.

**Question 12: How will the company be rehabilitated?**

**Answer:** The Commissioner and SDR will propose to the Court a plan for the rehabilitation of SHIP (the Rehabilitation Plan) that is expected to include modification of premiums and benefits of SHIP's long-term care insurance policies. Emphasis will be placed on giving policyholders choices. Notice and details of the Rehabilitation Plan will be provided to all policyholders and interested parties and they will have an opportunity to comment upon, or object to, the proposed Rehabilitation Plan.

**Question 13: When will the Rehabilitation Plan be filed and provided to policyholders and interested parties?**

**Answer:** The court order placing SHIP in rehabilitation (the Rehabilitation Order) requires that a Preliminary Rehabilitation Plan be filed by April 22, 2020, unless the Court extends that deadline.

**Question 14: How can I get a copy of the Rehabilitation Order?**

**Answer:** The Rehabilitation Order can be downloaded from the company's website, [www.shipltc.com](http://www.shipltc.com). It is also available on the Department's website [www.insurance.pa.gov/Regulations/LiquidationRehab/Pages/Companies-Currently-in-Rehabilitation.aspx](http://www.insurance.pa.gov/Regulations/LiquidationRehab/Pages/Companies-Currently-in-Rehabilitation.aspx). If you do not have access to the internet, you can call the company at 877-956-7447 to request a copy of the order. Please be aware that expected heavy call volumes may result in delays when calling the Company.

**Question 15: I have information I want to send only to the rehabilitation team. How do I do that?**

**Answer:** You may send an email to [SHIPrehab@cb-firm.com](mailto:SHIPrehab@cb-firm.com), an address accessible only by the SDR.

**Question 16: Is SHIP paying commissions?**

**Answer:** Yes. No change has been made in the payment of commissions. The company has experienced some technical glitches that delayed some commission checks but we believe those have been resolved.

**Question 17. Will the Rehabilitation Plan affect the payment of commissions?**

**Answer:** We will not know the terms of the Rehabilitation Plan until it is approved by the Commonwealth Court. However, it is likely that suspension of commission payments until policyholders are made whole will be a feature of the Plan proposed by the SDR.

**Question 18: Should I provide my customers notice of the rehabilitation?**

**Answer:** No. The Company is doing that. You should make sure that the Company has your customers' current addresses and other contact information.

**Question 19: Should I move my customers' policies to other companies?**

**Answer:** That is a decision to be made by your customers. The Rehabilitator does not recommend that you replace SHIP coverages unless you can assure that doing so is in the policyholders' best interest.

**Question 20: What do I do about amounts I owe SHIP?**

**Answer:** Any amounts that are past due should be paid in full immediately. The Rehabilitator and SDR are authorized by the Commonwealth Court to collect all such amounts and to initiate legal action to do so if necessary. Amounts that are not past due should be paid when due.

**Question 21: Whom should I contact for additional information regarding SHIP or the rehabilitation?**

**Answer:** You may write the company at:

Senior Health Insurance Company of Pennsylvania (In Rehabilitation)  
ATTN: Commissions  
550 Congressional Boulevard, Suite 200  
Carmel, IN 46032

You may send electronic mail to:

[Rehabilitation@shipltc.com](mailto:Rehabilitation@shipltc.com)

You may also call:

Telephone (877)-956-7447. Please be aware that we expect an unusually heavy call-load and that there may be long delays in responding to some calls. We apologize in advance for any such inconvenience.

**ABOUT THESE QUESTIONS AND ANSWERS:** The information contained in these questions and answers is intended to be general guidance and does not address any specific claim or circumstances. Nothing herein constitutes a binding legal statement by the Commissioner, the Rehabilitator, the SDR, the Department or SHIP. The statements contained herein are not intended to serve as, and do not constitute, legal advice or complete legal descriptions of the events or matters to which they relate. Any forward-looking statements are based on current expectations and assumptions, which are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. For full legal information, interested parties should review the Rehabilitation Order and the applicable Pennsylvania statutes and other legal authorities.