



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.

POLICYHOLDERS

Question 1. 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 Special Deputy Rehabilitator (SDR).

Question 2. Who is the Rehabilitation Management Team?

Answer: The Rehabilitation Management Team (RMT) is an informal group that consists of the Rehabilitator, the Special Deputy Rehabilitator (SDR), Deputy Commissioner Laura Lyon Slaymaker, the OLRFSF, and Robert L. ("Bob") Robinson, who serves as Chief Rehabilitation Officer.

Question 3. 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 Special Deputy Rehabilitator (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 4. 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 SDR, in conjunction with the 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 5. 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 Rehabilitation Plan.

Question 6. 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 7: What is the status of my SHIP policy?

Answer: At this time your policy remains exactly as it was before the Rehabilitation Order. It is important that you continue paying any premiums due under the policy on time to avoid its cancellation. You may continue paying them in the same manner as before.

Question 8: Can I request changes to my SHIP policy?

Answer: Yes. However, in addition to SHIP's established procedures, all requested changes will be subject to review by the RMT.

Question 9: I am about to move. Will that affect my SHIP policy?

Answer: No. But it is important that SHIP always have your current and complete contact information. Please be sure SHIP is informed of any change of address promptly.

Question 10: I am not on claim. Does SHIP's rehabilitation affect me?

Answer: Not at this time. It is important that you continue paying any premiums due under the policy on time to avoid its cancellation. The extent to which the Rehabilitation Plan may eventually affect policyholders will be explained in the proposed Rehabilitation Plan.

Question 11: I am on claim. Does SHIP's rehabilitation affect me?

Answer: Not at this time. SHIP will continue to provide the benefits to which you are entitled under your policy. All ongoing claims should be reported to SHIP in accordance with its established procedures. The extent to which the Rehabilitation Plan may eventually affect policyholders on claim will be explained in the proposed Rehabilitation Plan.

Question 12: I am not on claim. Does SHIP's rehabilitation affect me if I go on claim?

Answer: Not at this time. All new claims should be reported to SHIP in accordance with its established procedures. SHIP will continue to provide the benefits to which you are entitled under your policy. The extent to which the Rehabilitation Plan may eventually affect policyholders on claim will be explained in the proposed Rehabilitation Plan.

Question 13: Should I cancel my SHIP long-term care insurance policy and replace it with a policy from another insurer?

Answer: That is a decision only you can make. You should know, however, that in general long-term care insurance policies become substantially more expensive the older the age at which you first buy them and that newer policies may not provide the coverages currently provided by your SHIP policy. **If you cancel your policy, you will not get any premium back.**

Question 14: Is it likely that the Rehabilitator will cancel SHIP's long-term care insurance policies as part of the Rehabilitation Plan?

Answer: While we won't know the terms of the Rehabilitation Plan until it is approved by the Commonwealth Court, the RMT does not contemplate seeking authority to cancel SHIP's policies. However, if it becomes necessary to place SHIP in liquidation, it may then be necessary to cancel at least some of SHIP's policies, or parts of those policies.

Question 15: What are Insurance Guaranty Associations (Guaranty Associations)?

Answer: Guaranty associations are organizations created by statute in each state that are responsible for paying at least some of the amounts owed by insurers in liquidation under their policies.

Question 16: Are any Guaranty Associations responsible for the amounts SHIP owes me, or may owe me in the future?

Answer: Generally, guaranty associations become responsible for an insurer's obligations only if the insurer is found by the court to be insolvent and placed in liquidation. SHIP has not been found by the court to be insolvent and has not been placed in liquidation. Therefore, no guaranty association is responsible for SHIP's policy obligations at this time. That will change if SHIP is placed in liquidation.

Question 17. My policy was issued by a different company. How is it affected?

Answer: Over the years, SHIP and its predecessors became responsible (through what is called “reinsurance”) for long-term care insurance policies issued originally by American Health & Life Insurance Company, Primerica, and Transamerica or their predecessors. Those policies have been handled historically as if they had been issued by SHIP. At this time, they will continue to be treated in the same way as policies issued by SHIP. The manner in which they will be treated in the Rehabilitation Plan will be specified in documents that will be sent to policyholders when the Plan is presented to the court.

Question 18. 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)
PO Box 64913
St. Paul, MN 55164

You may send electronic mail to:

Rehabilitation@shipltc.com

You may also call:

Telephone (833) 894-8577. 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.