



## **Frequently Asked Questions**

October 8, 2021

### **Senior Health Insurance Company of Pennsylvania in Rehabilitation**

**The following questions and answers relate to the Senior Health Insurance Company of Pennsylvania 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.**

#### **Key Information**

- On January 29, 2020, Senior Health Insurance Company of Pennsylvania (“SHIP”) was placed in rehabilitation.
- On April 22, 2020, a proposed Plan of Rehabilitation was filed with the Court , and the Court approved the Second Amended Rehabilitation Plan on August 25, 2021.
- 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.
- The actions of the Rehabilitator, Special Deputy Rehabilitator, and the Rehabilitation Management Team are subject to the laws and regulations of Pennsylvania and are also subject to court review.
- The guaranty association system provides benefits to covered policyholders when a life, health, or annuity company is liquidated by court order.

## **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.

## **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”). The Rehabilitator and SDR are part of the Rehabilitation Management Team (“RMT”), which also includes Chief Rehabilitation Officer Robert L. Robinson, Deputy Insurance Commissioner Laura Lyon Slaymaker, and the Office of Liquidations, Rehabilitations and Special Funds (“OLRSF”), to protect policyholders, creditors, and the public.

On April 22, 2020, the Rehabilitator filed a proposed Plan of Rehabilitation (the “Plan”) with the Court, which was amended twice before the Court approved the Plan on August 25, 2021. (The approved 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 Plan to the Pennsylvania Supreme Court on September 21, 2021. Those insurance regulators argue that the Plan should not be implemented. It is not clear at this time what impact the appeal will have on the implementation of the Plan.

The Important Notice at the beginning of the Plan states, “The Plan is designed to reduce or eliminate the shortfall between SHIP’s projected liabilities and the assets and premiums projected to be available to fund such liabilities.” As a result of the Plan’s proposed steps to reduce or eliminate the shortfall, the Important Notice also notes that the Plan “will affect substantially the rights and benefits of SHIP’s policyholders, creditors and others.” The RMT will communicate with policyholders and other interested parties in connection with the implementation of the Plan. Year-end 2020 financial reports indicate that SHIP’s liabilities exceed its assets by \$1.2 billion. Please check back periodically for updates to these FAQs, or visit [www.shipltc.com](http://www.shipltc.com).

### **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.

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

Right now, all policies remain as they were before SHIP was placed in rehabilitation, but, during the implementation of the Plan (if the Plan is implemented as approved), the Rehabilitator will communicate with policyholders about options to elect changes to their policies related to benefits, premium, and other policy terms.

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 may be cancelled and coverage will cease. If you have questions about paying your premium, 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.

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

#### **5. 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.

#### **6. Does SHIP’s rehabilitation impact policy coverage, benefits, or premiums?**

At this time, we understand that SHIP will continue to provide the benefits to which a policyholder is entitled under the policyholder’s policy. During the implementation of the Plan, the Rehabilitator will communicate with policyholders about options to elect changes to their policies related to benefits, premium, and other policy terms.

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.

### **7. How does the COVID-19 pandemic impact SHIP's rehabilitation?**

For information on SHIP's operations during the COVID-19 pandemic, please review SHIP's website – [www.shipltc.com](http://www.shipltc.com).

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

### **8. 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 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.

### **9. 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 protect 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.

## 10. 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 play claims for SHIP policyholders.

## 11. 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.

## 12. 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

### 13. Who can answer questions about SHIP's rehabilitation?

If you have questions about SHIP's rehabilitation, you may write the company at:	Senior Health Insurance Company of Pennsylvania P.O. Box 64913 St. Paul, MN 55164
For additional rehabilitation questions and information, you can review SHIP's website at:	<a href="https://www.shipltc.com/rehabilitation">https://www.shipltc.com/rehabilitation</a> This portion of the SHIP website includes detailed FAQs for policyholders, agents and brokers, other creditors, and general inquiries.

### 14. 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.

### 15. 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).