

**STATE OF VERMONT  
DEPARTMENT OF FINANCIAL REGULATION**

<b>IN RE: SENIOR HEALTH</b>	)	
<b>INSURANCE COMPANY OF</b>	)	<b>DOCKET NO. 22-005-I</b>
<b>PENNSYLVANIA</b>	)	

**ORDER OF DEFAULT JUDGMENT**

**Senior Health Insurance Company of Pennsylvania – Long Term Care**

In September 2023, through counsel, the Insurance Division of the Vermont Department of Financial Regulation submitted a Motion for Default Judgment and Order alleging that Senior Health Insurance Company of Pennsylvania (“SHIP”) failed to respond to the Ex Parte Cease and Desist Order dated March 6, 2022 (the “Order”). I have reviewed the Motion for Default Judgment as well as the original Motion for Emergency Cease and Desist Order and the Order. *See* Motion for Emergency Cease and Desist Order and Order, attached hereto. Based on these filings, I have determined that SHIP has failed to respond to the Order and pursuant to the Department of Financial Regulation’s Administrative Procedures, the allegations in the Motion for Emergency Cease and Desist Order are treated as proven and default judgment will be entered in this case.

**CEASE AND DESIST ORDER**

This order is issued pursuant to 8 V.S.A. §§ 11, 12, 15, 3661, 8099, and DFR-2022-01 §§ 1.04(H), (V). Having failed to request a hearing or engage with the administrative process, the allegations contained in the Insurance Division’s Motion for Emergency Cease and Desist Order as well as the Order are proven. It is considered proven that SHIP is violating Vermont law and

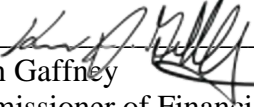
regulations as described in the Insurance Division's March 4, 2022, Motion for Ex Parte Cease & Desist Order.

Effective immediately, except as expressly provided herein, SHIP and its principals, employees, and agents (including the Rehabilitator and its deputies and agents) shall halt disseminating, implementing, or enforcing in this State the "Coverage Election Package" or otherwise interfering with the rights of SHIP's Vermont policyholders or violating the insurance laws and regulations of this State, including, but not limited to, notifying Vermont policyholders of proposed rate or benefit modifications under SHIP policies or requesting that Vermont policyholders select rates or benefits different under SHIP policies from those authorized by the Vermont DFR and called for under the terms of the contract, charging additional premium, or withholding, delaying, or encumbering benefits in whole or in part, until such time as otherwise ordered by the Vermont DFR.

This order does not prohibit SHIP from filing a premium increase request, or a proposed schedule of rates for proposed voluntary policy modifications, for review by the Commissioner in the manner prescribed by Vermont law, with sufficient supporting information to enable the Commissioner to determine whether the requested rates are neither inadequate, excessive, nor unfairly discriminatory. This order does not prohibit SHIP from sending notices of any such filings to consumers if the notices have been reviewed by the Commissioner for accuracy and compliance with Vermont law and have not been disapproved.

**BY ORDER OF THE COMMISSIONER OF FINANCIAL REGULATION**

Dated at Montpelier, Vermont this 25 day of September, 2023.

By:  \_\_\_\_\_  
Kevin Gaffney  
Commissioner of Financial Regulation  
Vermont Department of Financial Regulation

**STATE OF VERMONT  
DEPARTMENT OF FINANCIAL REGULATION**

<b>IN RE: SENIOR HEALTH</b>	)	
<b>INSURANCE COMPANY OF</b>	)	<b>DOCKET NO. 22-005-I</b>
<b>PENNSYLVANIA</b>	)	

**MOTION FOR EMERGENCY CEASE AND DESIST ORDER**

Pursuant to 8 V.S.A. §§ 11, 12, 15, 3661, 8099, and DFR-2022-01 § 1.04(O), the Insurance Division makes this Motion requesting that the Commissioner of Financial Regulation issue an immediate cease and desist order (proposed order attached) against Senior Health Insurance Company of Pennsylvania (SHIP) because SHIP is transacting insurance business in this State in a manner that is causing or is reasonably expected to cause significant, imminent, and irreparable injury to Vermont policyholders, as more particularly set forth below.

**FACTS ALLEGED**

1. SHIP is a Pennsylvania-domiciled life and health insurance company that was never authorized to issue long-term care insurance (LTC) policies in Vermont.
  
2. SHIP’s predecessors-in-interest, Transport Life Insurance Company and/or American Travelers Life Insurance Company, issued approximately 10 currently in-force life insurance policies in Vermont. It is unknown whether the companies were duly licensed in Vermont at the time of issuance.
  
3. SHIP now administers the policies issued in Vermont by its predecessors-in-interest.
  
4. Approximately fourteen (14) other SHIP-administered policies are held by Vermont residents who moved to Vermont after purchase.

5. All of the 24 SHIP policyholders described in paragraphs 2 - 4 are at least 80 years old and a clear majority are more than 90 years old. On information and belief, some policyholders are more than 100 years old.
6. In recent years, SHIP has experienced financial distress and faced the possibility of insolvency.
7. On January 29, 2020, upon the application of Jessica Altman, the Commissioner of Insurance for the Commonwealth of Pennsylvania, the Commonwealth Court of Pennsylvania, in suit number 1 SHP 2020, entered an Order of Rehabilitation placing SHIP into rehabilitation in accordance with the provisions of Pennsylvania law.
8. The Order of Rehabilitation appointed Commissioner Altman and her successors in office as statutory rehabilitator of SHIP pursuant to the provisions of 40 P.S. § 221.14, et seq. and required the Rehabilitator to prepare a plan of rehabilitation. Commissioner Altman appointed Patrick Cantilo as Special Deputy Rehabilitator, with the power to act on the Rehabilitator's behalf.
9. On April 22, 2020, the Rehabilitator filed her Application for Approval of the Plan of Rehabilitation for SHIP and contemporaneously filed a Rehabilitation Plan.
10. The Rehabilitation Plan was approved by a Memorandum Opinion and Order of the Pennsylvania Commonwealth Court on August 24, 2021, as amended on November 4, 2021.
11. The Commissioner and the regulators in other intervening jurisdictions appealed the Rehabilitation Plan to the Pennsylvania Supreme Court (Middle District), No. 71 MAP 201. By Order issued January 31, 2022, the Pennsylvania Supreme Court denied the insurance regulators'

request for stay pending appeal of the Rehabilitation Plan. The appeal remains pending before the Pennsylvania Supreme Court.

12. Upon information and belief, in late January 2022, without first filing its rates for approval with the Commissioner, the SHIP Rehabilitator mailed a “Coverage Election Package” to Vermont policyholders which advises them of forthcoming premium and/or benefit modifications that would purportedly begin as early as April 1, 2022. See Exhibit A (package as mailed to consumer in Maine; it is believed that substantially similar packages were sent nationwide, including in Vermont). The “Coverage Election Package” requires policyholders to complete and return their election form with a postmark date of no later than March 15, 2022. Id.

13. On February 2, 2022, the Rehabilitation Court purported to approve SHIP’s use of nationwide premium rates including in Vermont.

14. The “Coverage Election Package” does not provide legally sufficient notice to Vermont policyholders of SHIP’s proposed rate increase as required by Vermont law and DFR’s Regulation H-2009-01.

15. The “Coverage Election Package” offers five coverage options to policyholders, including downgrading the policy, converting to a basic policy or to an enhanced basic policy, converting to an enhanced paid-up policy, and keeping their current policy. If a policyholder does not make a coverage election by the March 15, 2022 specified postmark date, SHIP states that it will, on its own, exercise the basic policy coverage option, resulting in a significant benefit reduction under the insurance policy.

16. The “Coverage Election Package” does not state that insurance rates are subject to state-by-state approval, including approval by the State of Vermont as to Vermont policies.

17. The “Coverage Election Package” does not disclose that the coverage options therein have not been approved by the Commissioner as required by law.

18. The “Coverage Election Package” does not disclose that the coverage options therein have not even been submitted to the Commissioner as required by law.

19. The “Coverage Election Package” fails to advise policyholders that the premium rates and policy modifications under the Rehabilitation Plan are on appeal to the Pennsylvania Supreme Court.

20. As set forth in the preceding paragraphs, SHIP purports to require Vermont policyholders to make final and binding coverage elections without any explanation to policyholders about how their rates and benefits would be reconfigured if the Rehabilitation Plan is overturned or otherwise modified by a court in a manner that affects rates and benefits.

21. Likewise, SHIP purports to force its elderly policyholders to choose between options, none of which have been approved by the Commissioner as required by law.

22. There appears to be significant doubt as to whether the Pennsylvania Supreme Court will uphold the rehabilitation plan. See, e.g., *Farmer v. Altman*, No. 2020-CP- 40-05802 (S.C. 5th Jud. Cir. Jan. 20, 2022) (granting preliminary injunctions against SHIP upon finding that the insurance regulator’s challenges to the Rehabilitation Plan demonstrated a likelihood of success on the merits and that a preliminary injunction was necessary to prevent irreparable harm to policyholders).

23. All policyholder elections and SHIP-imposed elections are purportedly deemed irrevocable in the Coverage Election Package, even if the Rehabilitation Plan is overturned or otherwise modified on appeal. Furthermore, any Vermont policyholder who selects the policy downgrade, the paid-up policy option, or their current policy terms could face yet more rate increases during Phase II of the Rehabilitation Plan, the details of which are unknown.

24. SHIP has not submitted to the Commissioner the premium rates that SHIP intends to use on insurance coverage provided to Vermont policyholders, purportedly beginning as early as April 1, 2022 based on elections SHIP purports to require by March 15, 2022.

25. SHIP has not obtained regulatory approval from the Commissioner for the premium rates that SHIP intends to use on insurance coverage provided to Vermont policyholders, purportedly beginning as early as April 1, 2022 and based on elections purportedly required to be made by March 15, 2022.

26. SHIP has not made all required regulatory filings with the Commissioner related to SHIP's transaction of the business of insurance in this State.

27. Among other matters, and not by limitation, Vermont policyholders have been and will be deceived and misled as a cumulative result of SHIP's:

- a) failure to file proposed premium rates with the Commissioner;
- b) failure to provide Vermont policyholders with the required advance notice of a premium rate increase for use with Vermont policies, including notice of the proposed rate, an explanation that it is subject to regulatory approval, the policyholder's right to request a hearing, the policyholder's right to provide



written comments on the proposed rate increase, and contact information for DFR's Insurance Division;

- c) failure to provide Vermont policyholders with advance notice of premium rate implementation for Vermont policies; and
- d) use of a "Coverage Election Form" for Vermont policies that is unfair or deceptive; contains misrepresentations; and/or is untrue, deceptive, or misleading.

28. Vermont policyholders have been and/or soon will be harmed by SHIP forcing them to make rushed and purportedly irreversible decisions about their existing long-term care insurance policies.

#### **APPLICABLE LAW**

29. Vermont law, Title 8, regulates entities that transact the business of insurance in the State.

30. Chapter 154 of Title 8 governs Long Term Care Insurance specifically.

31. Pursuant to authority expressly granted in Title 8, including Chapter 154, the Commissioner has promulgated Regulation H-2009-01, which provides among other things for important consumer protections relating to long-term care insurance.

32. SHIP is transacting the business of insurance in Vermont by, among other things, purporting to impose new rates and contract conditions on holders of long-term care insurance policies within the State.

33. Pursuant to Title 8, Chapter 1, Section 15 and § 3661, the Commissioner may issue such orders as are necessary to carry out the purposes of Title 8.

34. Pursuant to Department Regulation 2022-01 § 1.04(O), where the Commissioner is authorized by law to issue a cease-and-desist or other injunctive order, the Commissioner may do so without written or oral notice to the Respondent.
35. Pursuant to Title 8, Chapter 154 and Reg. H-2009-01, every insurer shall file for approval by the Commissioner every rate, rating formula, classification of risks, and every modification of any formula or classification that it proposes to use in this State in connection with individual health insurance policies, including LTC policies. Every such filing must be made not less than 60 days in advance of the stated effective date. The filing must contain sufficient information for the Commissioner to determine whether such filing meets the requirements that rates not be excessive, inadequate, or unfairly discriminatory. See 4-5 V.C.R. § 16 (citing 8 V.S.A. § 4062).
36. Pursuant to Reg. H-2009-01 as further explained in Insurance Bulletin No. 216, an insurer shall notify Vermont policyholders of a proposed premium rate increase forty-five (45) days after filing with the Department of Financial Regulation (Department). The written notice must show the proposed rate; state that the rate is subject to regulatory approval; and inform the policyholder of the right to provide oral or written comments on the proposed rate increase. See 4-5 V.C.R. § 9; 8 V.S.A. § 8084a.
37. Pursuant to Reg. H-2009-01, an insurer may not implement a premium increase for use in Vermont until it is approved by the Commissioner.
38. Pursuant to Reg. H-2009-01, an insurer shall provide written notice of a premium rate increase for use in Vermont to all affected Vermont policyholders at least forty-five (45) days before the effective date of any rate increase. See 4-5 V.C.R. § 9; 8 V.S.A. § 4062.

39. Pursuant to Title 8, Chapter 154 and Reg. H-2009-01, no person shall engage in an unfair or deceptive act or practice in the business of insurance in this State.

40. Pursuant to Title 8, Chapter 129, Section 4723 and Reg. H-2009-01, no person shall make, issue, or circulate, or cause to be made, issued, or circulated any estimate, illustration, circular, or statement misrepresenting the terms, benefits, or advantages of an insurance policy issued in this State. 4-5 V.C.R. § 23.

41. Pursuant to Title 8, Chapter 129 and Reg. H-2009-01, no person shall make, publish, disseminate, or circulate, or cause, directly or indirectly, to be made, published, disseminated, or circulated, in the form of a notice, circular, pamphlet, or letter, or in any other way, any statement regarding the person's transaction of insurance business in this State that is untrue, deceptive, or misleading.

42. Pursuant to Title 8, Chapter 101, Section 3661 and Department Regulation 2022-01 § 1.04(O), when the Commissioner believes that a person is engaging in conduct that is causing or is reasonably expected to cause significant, imminent, and irreparable injury to Vermont insurance consumers, the Commissioner may immediately issue a cease-and-desist order, without prior notice and hearing.

## **VIOLATIONS ALLEGED**

### **Violation I**

#### **Failure to File Rates for Approval**

43. SHIP violated and continues to violate Regulation H-2009-01 § 20 by failing to file for approval by the Commissioner the rates, rating formula, classification of risks, and every modification of any formula or classification that it proposes to use with policies in Vermont at least 60 days prior to the anticipated notice to the policyholders.

## **Violation II**

### **Premium Rates: Notice of Filing**

44. SHIP violated and continues to violate Regulation H-2009-01 §§ 9, 20 as further explained in Insurance Bulletin No. 216 by failing to provide written notice to Vermont policyholders of proposed premium rate increases. The written notice must show the proposed rate; state that the rate is subject to regulatory approval; and inform the policyholder of the right to provide written or oral comments on the proposed rate increase to the Department.

## **Violation III**

### **Premium Rates: Implementation**

45. SHIP violated and continues to violate Regulation H-2009-01 § 20 by communicating a purported effective date as soon as April 1, 2022 for implementation of premium rate increases under Vermont insurance policies without first having obtained approval by the Commissioner.

## **Violation IV**

### **Premium Rates: 45-Day Notice**

46. SHIP violated and continues to violate Regulation H-2009-01 § 20 and 8 V.S.A. § 8084a(e) by providing notice of premium rate increases affecting Vermont policyholders less than forty-five (45) days before implementation of the rate increase for use in Vermont, to be effective as soon as April 1, 2022.

## **Violation V**

### **Policyholder Notice: Unfair or Deceptive Acts**

47. SHIP violated and continues to violate 8 V.S.A. § 4723 by mailing a “Coverage Election Package” to Vermont policyholders that unfairly or deceptively discloses premium rates and

benefit modifications under a Vermont insurance policy, when such rates and modifications have never been submitted to or approved by the Commissioner.

## **Violation VI**

### **Policyholder Notice: Misrepresentation**

48. SHIP violated and continues to violate 8 V.S.A. § 4723 by mailing a “Coverage Election Package” to Vermont policyholders that misrepresents the premium rates and benefit modifications under a Vermont insurance policy.

## **CONCLUSION AND REQUEST FOR RELIEF**

49. As set forth above in Paragraphs 1 through 48, SHIP has engaged in and is continuing to engage in the business of insurance in this State in a manner that is contrary to Vermont law and is causing or is reasonably expected to cause significant, imminent, and irreparable injury to Vermont policyholders.

50. For all the foregoing reasons, the Insurance Division requests that the Commissioner issue an immediate cease and desist order requiring SHIP and its principals, employees, and agents (including the Rehabilitator and its deputies and agents) to:

- a) Cease mailing the “Coverage Election Package” or any substantially similar material in this State, including, but not limited to, any material describing unapproved premium rate or benefit modification implementation, until further order of the Commissioner.
- b) Communicate to all Vermont policyholders in writing, on a form approved by the Commissioner, that the “Coverage Election Package” has no effect in Vermont.
- c) Cease implementation of any proposed rate increases in Vermont until such increases are reviewed and approved by the Commissioner.

- d) Cease implementation of any rate increases in Vermont, effectuated on or after January 29, 2020, until such increases are reviewed and approved by the Commissioner.
- e) Cease implementation of any decreases in coverage elected, on or after January 29, 2020, by an insured in Vermont until such elections are reviewed and approved by the Commissioner.

Dated at Montpelier, Vermont this 4th day of March, 2022.

Kevin Gaffney, Deputy Commissioner of Insurance  
Department of Financial Regulation

By: *Hillary Borcharding*  
Hillary Borcharding  
Assistant General Counsel  
89 Main Street  
Montpelier, VT 05620-3101  
(802) 249-6512  
Hillary.borcharding@vermont.gov

# Exhibit A

**Action Required By:** March 15, 2022



## IMMEDIATE ACTION REQUIRED

Dear 

I'm writing today with important information about your long-term care insurance from Senior Health Insurance Company of Pennsylvania (In Rehabilitation) ("SHIP") and to thank you for your patience and understanding as we guide the company through the rehabilitation process.

As part of this process, you have a very important decision to make at this time. A number of new coverage options are available to you. You are required to select only one option by March 15, 2022.

To get started, please refer to the enclosed "Step-by-Step Guide for Policyholders" and follow these simple steps:

**Step 1:** Review your personalized options.

**Step 2:** Learn more about each option.

**Step 3:** Indicate your choice on the attached Coverage Election Form, detach and mail the completed form to SHIP in the enclosed postage-paid return envelope as soon as possible.

You'll find more details in the "Important Information for Policyholders" booklet and "Summary of Current Coverage" document provided. To watch our informational video series and learn more, visit us online at [shipltc.com](http://shipltc.com). Please know we are here to help you. We understand you have a lot invested in your current policy and you want to make sure you will have protection when you need it. Just call us at (833) 894-8577.

Sincerely,



Patrick H. Cantilo  
Special Deputy Rehabilitator

**Please note that your Coverage Election Form must be postmarked by March 15, 2022.**





# Coverage Election Form



POLICYHOLDER NAME: [REDACTED]

Best way to reach you, if we have questions.

POLICY NUMBER: [REDACTED]

Phone:

ELECTION EFFECTIVE DATE: April 1, 2022

Email:

**IMPORTANT: This form must be signed and postmarked by March 15, 2022.**

Select the option that best suits your needs.

Policy Feature	Your Current Policy	DEFAULT				
		Option 1 Downgrade Your Policy	Option 2 Convert to a Basic Policy	Option 2a Convert to an Enhanced Basic Policy	Option 3 Convert to an Enhanced Paid-Up Policy	Option 4 Keep Your Current Coverage
Billable Annual Premium	\$1,350	N/A	\$835	N/A	\$0	\$1,350
Annual Premium	\$1,350	N/A	\$835	N/A	\$0	\$1,350
Annual Premium Change (%)	N/A	N/A	-38%	N/A	-100%	0%
Maximum Lifetime Benefit	\$146,000	N/A	\$146,000	N/A	\$73,000	\$146,000
Maximum Lifetime Benefit Change (%)	N/A	N/A	0%	N/A	-50%	0%
Phase Two Rate Increase/Benefit Reduction Possible	N/A	N/A	No	N/A	No	Yes
SELECT ONE ►		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Sign below.

I understand the election I have made above and acknowledge that I have made the election voluntarily. I agree that the changes I have requested will become effective April 1, 2022 and cannot be reversed after March 15, 2022.

I understand that if I do not clearly mark only one election, or if I do not return this signed form postmarked by March 15, 2022, I will receive Option 4 by default.

Signature:

Date:            /            /  
Month            Day            Year

Print name here:

Signatory authority:  Power of Attorney     Conservator     Other:

**Return this form in the postage-paid envelope postmarked by March 15, 2022.**  
Questions? Call (833) 894-8577, Monday through Friday, 8:00 a.m. to 6:00 p.m. EST.



\*UNV045%PLB9348382\*

# Summary of Current Coverage



INSURED: [REDACTED]	DATE ISSUED: 11/1/1989
POLICY NUMBER: [REDACTED]	ISSUE AGE: 60
STATE OF ISSUE: ME	CURRENT AGE: 91
STATE OF RESIDENCE: ME	SUMMARY AS OF: 7/31/2021
CURRENT ANNUAL PREMIUM: \$1,350	CURRENT POLICY STATUS: Premium Paying - Not On Claim

Policy Feature	Current Coverage	Description
Maximum Benefit Period <sup>1,2</sup>	1,460 Days	The maximum duration during which benefits will be available under the policy.
Maximum Daily Benefit <sup>3</sup>	NH: \$100.00 HHC: \$100.00	The maximum daily dollar amount available on a covered date of care as specified in the policy, for each eligible type of care. NH = Nursing Home, ALF = Assisted Living Facility, HHC = Home Health Care.
Maximum Lifetime Benefit <sup>1</sup>	\$146,000	The maximum benefit amount available for the life of the policy, reflecting inflation assuming benefits start now. This benefit amount may not include eligible Restoration of Benefits associated with the policy.
Benefit Account Value (Pool of Money)	No	"Yes" means the policy benefits are measured in dollars paid up to the Maximum Lifetime Benefit. "No" means the policy benefits are measured in days paid up to the Maximum Benefit Period days.
Elimination Period <sup>1</sup>	0 Days	The time period during which a policyholder qualifies for benefits but for which no benefits are yet payable.
Reimbursement Type <sup>2</sup>	Indemnity	The method by which the Daily Benefit will be paid out. Reimbursement provides coverage for the actual expenses of care up to specified limits. Indemnity pays the full daily benefit amount regardless of expenses incurred.
Inflation Benefit	No Inflation	A rider purchased or a policy provision that provides for defined increases in benefits at regular intervals in order to protect against the effects of inflation on the cost of care.
Extension of Benefits	Included	A provision in the policy permitting claim payments to continue for a policy on claim that lapses due to non-payment of premium.
Restoration of Benefits	Included	A policy provision under which the benefit period for a policyholder will be restored to the original Maximum Benefit Period after receiving some or all claim benefits if the policyholder does not need or receive care during a specified period of time (such as 180 days).
Return of Premium Benefit	Not Included	A rider purchased or policy provision which provides for the return of a percentage of premium paid by the policyholder (such as 80%) in consideration of the absence of claim payments during a given period of time in which the policy was in force (such as ten years), or upon policy termination.
Waiver of Premium Benefit	Included	A policy provision under which the policyholder is no longer required to pay premiums for coverage in specified circumstances, such as eligibility for benefits.

1. Your Maximum Benefit Period, Maximum Lifetime Benefit, and Elimination Period may be lower than what is shown if you are currently receiving benefits or have received benefits in the past.
2. Maximum Benefit Period and Reimbursement Type are shown for the highest level of care covered by the policy.
3. Some policies may have Monthly or Weekly benefits instead of Daily benefits.

**Note: This document is being provided solely for your convenience and is for reference only.** It is not a comprehensive explanation of policy terms or benefits and is not intended to modify or amend any policy provision. All benefit determinations will be processed in accordance with the terms and conditions set forth in your policy and any policy rider(s).

# Additional Useful Coverage Information



Coverage information provided on this page does not represent your current coverage. It has been provided to inform you of possible premium and coverage information associated with your policy in future phases of the Rehabilitation Plan. Please refer to the "Important Information for Policyholders" booklet for more detailed information. We encourage you and your trusted advisor to consider this additional useful information as you make your election decision.

INSURED: [REDACTED]

POLICY NUMBER: [REDACTED]

Policy Feature	Current Coverage	Description
Rehabilitation Plan Required Benefit Eligibility	No	"Yes" means the benefit eligibility requirements outlined in the SHIP Rehabilitation Plan will apply to your policy. Rehabilitation Plan Benefit Eligibility requires that you 1) be expected to require care for at least 90 days, and be unable to perform two or more Activities of Daily Living (i.e., eating, dressing, bathing, transferring, toileting, and continence) without substantial hands-on or standby assistance; or 2) for at least 90 days, need substantial assistance due to a severe cognitive impairment. In either case a licensed healthcare professional must certify a plan of care. "No" means the benefit eligibility requirements outlined in the SHIP Rehabilitation Plan do not apply. The benefit eligibility requirements of your policy do not change.
GA Coverage Limit	\$300,000	Guaranty Associations (GAs) provide coverage for eligible policyholders of insurance companies that are placed in liquidation. GAs offer continuation of coverage up to a defined GA Coverage Limit that is determined by state of residence of the policyholder. This coverage reflects the GA Coverage Limit in your state of residence that would apply in the event SHIP were to be placed in liquidation in the future.
GA Fully Covered	Yes	"Yes" means your projected Maximum Lifetime Benefit is less than or equal to the GA Coverage Limit in your state of residence. "No" means your projected Maximum Lifetime Benefit is greater than the GA Coverage Limit in your state of residence. This is only a projection which may change with changes in circumstances. You may also want to compare the GA Coverage Limit to the Maximum Lifetime Benefit of your policy as shown on the Coverage Election Form.
Potential Uncovered Benefits	\$0	The portion of your Maximum Lifetime Benefit as shown on the Coverage Election Form that exceeds the GA Coverage Limit in your state of residence. Uncovered benefits apply only if a company is placed in liquidation.
Expected Liquidation Rate Increase	0%	This rate increase is the rate increase that could be pursued if SHIP is placed in liquidation. It is a projected number based on certain assumptions made today and could change in the future.
Self-Sustaining Annual Premium	\$1,875	This premium is the annual premium that could be charged to fully fund your policy. It is a projected number based on certain financial assumptions made today, including assets available, benefit payments, and expenses.



9594



SENIOR HEALTH INSURANCE COMPANY  
OF PENNSYLVANIA  
(IN REHABILITATION)



# Choosing the Right Coverage Option

**A Step-by-Step Guide  
for Policyholders**

# Step One: Review Your Personalized Options

Prepared For [REDACTED]  
Policy Number [REDACTED]

This chart shows the options currently available to you. Use it to compare the details most important to you.

Policy Feature	DEFAULT				
	Option 1 Downgrade Your Policy	Option 2 Convert to a Basic Policy	Option 2a Convert to an Enhanced Basic Policy	Option 3 Convert to an Enhanced Paid-Up Policy	Option 4 Keep Your Current Coverage
Maximum Benefit Period	N/A	1,825 Days	N/A	913 Days	1,460 Days
Maximum Daily Benefit	N/A	NH: \$80.00 HHC: \$80.00	N/A	NH: \$80.00 HHC: \$80.00	NH: \$100.00 HHC: \$100.00
Maximum Lifetime Benefit	N/A	\$146,000	N/A	\$73,000	\$146,000
Benefit Account Value (Pool of Money)	N/A	Yes	N/A	Yes	No
Elimination Period	N/A	90 Days	N/A	90 Days	0 Days
Reimbursement Type	N/A	Indemnity	N/A	Indemnity	Indemnity
Inflation Benefit	N/A	No Inflation	N/A	No Inflation	No Inflation
Extension of Benefits	N/A	Not Included	N/A	Not Included	Included
Restoration of Benefits	N/A	Not Included	N/A	Not Included	Included
Return of Premium Benefit	N/A	Not Included	N/A	Not Included	Not Included
Waiver of Premium Benefit	N/A	Not Included	N/A	Not Included	Included
Billable Annual Premium	N/A	\$835	N/A	\$0	\$1,350
Annual Premium	N/A	\$835	N/A	\$0	\$1,350
Rehabilitation Plan Required Benefit Eligibility	N/A	Yes	N/A	Yes	No
Phase Two Rate Increase/Benefit Reduction Possible	N/A	No	N/A	No	Yes

Note: If you do not return your Coverage Election Form on time, the Option identified as "Default" will be deemed to be your choice. Annual Premium is the cost of coverage for policy features listed under each option. Billable Annual Premium is that amount minus any premium that is currently being waived.

In the event the Company is placed in liquidation in the future, available benefits may be reduced below those identified in Your Personalized Options, except for Option 3.

## Step Two: Learn More About Each Option


We understand that no two policyholders are alike. To help you navigate through the process of making your election decision, we've outlined several preferences to consider that may be important for you to think about. **Please review the policy features outlined in your Personalized Options chart on page two of this guide. Some options may not apply to all policies. Options that do not apply to you will appear on your Personalized Options chart with a designation of N/A (Not Applicable) per the policy features.**

If your preference is to...	Consider these options	A bit about the options...
<p><b>Maintain your current premium</b> (recognizing that benefits may be reduced in Phase Two of the Rehabilitation Plan)</p>	<p><b>Option 1</b> (Downgrade Your Policy)</p>	<ul style="list-style-type: none"> <li>This option offers reduced benefits while allowing your premium to remain the same.</li> <li>Your benefits will be reduced as shown on your Personalized Options chart on page two of this guide.</li> <li>The premium rates and benefits associated with this option are not guaranteed and may change significantly in Phase Two of the Rehabilitation Plan.</li> </ul>
<p><b>Adjust your premium and benefits</b> (designed to balance premium and benefits)</p>	<p><b>Option 2</b> (Convert to a Basic Policy),</p> <p><b>Option 2a</b> (Convert to an Enhanced Basic Policy)</p>	<ul style="list-style-type: none"> <li>These options offer benefits available on a new Basic Policy (Option 2) or a new Enhanced Basic Policy (Option 2a). Option 2a may offer a longer benefit period and more inflation protection. For some policyholders Option 2 may provide the same coverage as Option 2a.</li> <li>The new premium for this new policy will correspond to the benefits displayed on your Personalized Options chart on page two of this guide.</li> <li>These options aim to strike a balance between Option 1 and Option 4, but with two significant benefits:                             <ol style="list-style-type: none"> <li>You are protected from mandatory future premium rate increases or benefit reductions in Phase Two of the Rehabilitation Plan.</li> <li>There is an added safety net where your benefits will not be reduced below coverage levels provided in liquidation.</li> </ol> </li> </ul>
<p><b>Stop paying premium altogether</b> (while maintaining a basic level of coverage)</p>	<p><b>Option 3</b> (Convert to an Enhanced Paid-Up Policy)</p>	<ul style="list-style-type: none"> <li>This option offers a paid up insurance policy with benefits displayed on your Personalized Options chart on page two of this guide. This means you will no longer have to pay premium, and coverage will terminate when the Maximum Lifetime Benefit is exhausted.</li> <li>The benefits associated with this option are generally richer than those offered as part of a traditional (non-Rehabilitation) nonforfeiture option.</li> <li>This option will not be subject to premium rate increases or benefit reductions in Phase Two of the Rehabilitation Plan.</li> </ul>
<p><b>Preserve your current benefits</b> (recognizing that premium may be increased in Phase Two of the Rehabilitation Plan)</p>	<p><b>Option 4</b> (Keep Your Current Coverage)</p>	<ul style="list-style-type: none"> <li>This option offers continuation of current coverage at a potentially higher premium rate.</li> <li>You will have the same level of protection you have now at the premium amount displayed on your Personalized Option chart on page two of this guide.</li> <li>The premium rates and benefits associated with this option are not guaranteed and may change significantly in Phase Two of the Rehabilitation Plan.</li> </ul>
<p><b>Have certainty</b> (with respect to the premium you will pay and the benefits you will receive throughout the Rehabilitation process)</p>	<p><b>Option 2</b> (Convert to a Basic Policy)</p> <p><b>Option 2a</b> (Convert to an Enhanced Basic Policy)</p> <p><b>Option 3</b> (Convert to an Enhanced Paid-Up Policy)</p>	<ul style="list-style-type: none"> <li>All 3 of these options offer certainty that you will not be subject to mandatory premium rate increases or benefit reductions in Phase Two of the Rehabilitation Plan.</li> </ul>

# Step Three: Indicate Your Choice On The Enclosed Form

Your Coverage Election Form must be signed and postmarked by March 15, 2022.

- 1 Tell us how we can reach you, if we have questions.
- 2 Indicate the option you prefer by checking the block associated with your selected option. You should select only one option.
- 3 Sign your name and date the form.
- 4 Mail in the postage-paid return envelope.



## Coverage Election Form

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**POLICYHOLDER NAME:** John J. Sample      **Best way to reach you, if we have questions.**

**POLICY NUMBER:** 8321      **Phone:**

**ELECTION EFFECTIVE DATE:** 4/20/2022      **1** **Email:**

**IMPORTANT: This form must be signed and postmarked by February 28, 2022.**

---

**Select the option that best suits your needs.**

Policy Feature	Your Current Policy	DEFAULT				
		Option 1 Downgrade Your Policy	Option 2 Convert to a Basic Policy	Option 2a Convert to an Enhanced Basic Policy	Option 3 Convert to an Enhanced Paid-Up Policy	Option 4 Keep Your Current Coverage
Billable Annual Premium	\$2,887	\$2,887	\$1,188	\$1,248	\$0	\$3,362
Annual Premium	\$2,887	\$2,887	\$1,188	\$1,248	\$0	\$3,362
Annual Premium Change (%)	N/A	0%	-58.85%	-56.77%	-100%	16.45%
Maximum Lifetime Benefit	Unlimited	Unlimited	\$394,644	\$493,305	\$246,652	Unlimited
Maximum Lifetime Benefit Change (%)	N/A	0%	-60.54%	-50.67%	-75.33%	0%
Phase Two Rate Increase/Benefit Reduction Possible	N/A	Yes	No	No	No	Yes

**SELECT ONE** ▶                             

---

**Sign below.**

I understand the election I have made above and acknowledge that I have made the election voluntarily. I agree that the changes I have requested will become effective April 20, 2022 and cannot be reversed after February 28, 2022. I understand that if I do not clearly mark only one election, or if I do not return this signed form postmarked by February 28, 2022, I will receive Option 2 by default.


Signature: \_\_\_\_\_ Date: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_  
Month Day Year

Print name here: \_\_\_\_\_

Signatory authority:  Power of Attorney     Conservator     Other:


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**Return this form in the postage-paid envelope postmarked by [Decision Date].**  
**Questions? Call (833) 894-8577, Monday through Friday, 8:00 a.m. to 6:00 p.m. EST.**



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P.O. Box 64675, St. Paul, MN 55164-0675      SHIP-EP-LTREF-0122



**BUSINESS**  
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SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA (A DIVISION OF SHIP)  
 PO BOX 64675  
 ST. PAUL, MN 55164-0675

**IF YOU DON'T RETURN YOUR COVERAGE ELECTION FORM ON TIME, YOU WILL AUTOMATICALLY RECEIVE THE DEFAULT OPTION IDENTIFIED ON YOUR PERSONALIZED OPTIONS CHART AND ON YOUR COVERAGE ELECTION FORM.**

# Understanding the Policy Features in Your Personalized Options chart.

The information provided in Step One of the guide was customized just for you. It details the options available to you and provides cost and benefit information for each option. We encourage you to carefully evaluate the benefits, premium, and possibility of future rate increases/benefit reductions in light of your personal situation with a family member or trusted advisor. Maximum Lifetime Benefit and Annual Premium have been provided to enable you and your advisor to compare the maximum lifetime benefits to annual cost for each option.

Policy Feature	Description
<b>Maximum Benefit Period<sup>1,2</sup></b>	The maximum length of time your policy pays benefits.
<b>Maximum Daily Benefit<sup>3</sup></b>	The most you can collect each day for each type of care: Nursing Home (NH), Assisted Living Facility (ALF), Home Health Care (HHC). Your policy may include certain additional benefits. If your policy includes additional benefits that are based on your NH, ALF, or HHC benefit amount(s), the maximum daily benefit amount for the additional benefits will change based on the option you choose. To learn more about additional benefits please refer to the Glossary of Terms in your Important Information for Policyholders brochure.
<b>Maximum Lifetime Benefit<sup>4</sup></b>	The maximum benefit amount you can collect from your policy assuming benefit payments begin now. This benefit amount may not include eligible Restoration of Benefits associated with the policy.
<b>Benefit Account Value (Pool of Money)</b>	"Yes" means policy benefits are measured by the total dollar amount paid. "No" means they are measured by the number of days benefits are paid.
<b>Elimination Period<sup>1,4</sup></b>	The length of time you must wait after becoming eligible for benefits before you are eligible to receive benefit payments.
<b>Reimbursement Type<sup>2,5</sup></b>	Reimbursement means you're covered for actual expenses up to the applicable limit. Indemnity means you'll be paid the full daily amount, regardless of expenses incurred.
<b>Inflation Benefit</b>	A rider or policy provision that increases your coverage at regular intervals to guard against inflation.
<b>Extension of Benefits</b>	A policy provision that allows claim payments to continue, even if your policy lapses for non-payment.
<b>Restoration of Benefits</b>	A policy provision that restores your benefits to the original maximum level, if no claims are filed for an extended period of time, such as 180 days.
<b>Return of Premium Benefit</b>	This policy provision or rider provides for return of some or all of the policy premium paid if you do not have claims during a given time frame (such as ten years or the time your policy was in force).
<b>Waiver of Premium Benefit<sup>4</sup></b>	With this policy provision, you are not required to pay premiums under certain specified circumstances such as while you are on claim.
<b>Rehabilitation Plan Required Benefit Eligibility<sup>4</sup></b>	"Yes" means the benefit eligibility requirements outlined in the SHIP Rehabilitation Plan will apply to your policy if you select this option. Rehabilitation Plan Benefit Eligibility requires that you 1) be expected to require care for at least 90 days, and be unable to perform two or more Activities of Daily Living (i.e., eating, dressing, bathing, transferring, toileting, and continence) without substantial hands-on or standby assistance; or 2) for at least 90 days, need substantial assistance due to a severe cognitive impairment. In either case a licensed healthcare professional must certify a plan of care. "No" means the benefit eligibility requirements outlined in the SHIP Rehabilitation Plan do not apply. The benefit eligibility requirements of your policy do not change.

1. Your Maximum Benefit Period, Maximum Lifetime Benefit, and Elimination Period may be lower than what is shown if you are currently receiving benefits or have received benefits in the past.

2. Maximum Benefit Period and Reimbursement Type are shown for the highest level of care covered by the policy.

3. Some policies may have Monthly or Weekly benefits instead of Daily benefits.

4. If these features change under an option and benefit eligibility for a claim has been approved prior to the Effective Date, these modifications will only apply to future claims.

5. Under Option 1, if your Reimbursement Type changes from Indemnity to Reimbursement and benefit eligibility for a claim has been approved prior to the Effective Date, this Policy Feature modification will only apply to future claims.

Note: Refer to the Glossary of Terms in the "Important Information for Policyholders" booklet for a more detailed description of each Policy Feature.





# Questions About Your Options?

## **Q1. When will my new coverage or premium go into effect?**

Your new coverage or premium will go into effect on the Election Effective Date listed on your Coverage Election Form.

## **Q2. Can I change my decision once I return the Coverage Election Form?**

You can change your decision until the deadline indicated on your Coverage Election Form. Coverage Election Forms post-marked after this date will not be accepted. It is important to submit your Form on time.

## **Q3. What happens if I do not return my Coverage Election Form?**

If you do not return your Coverage Election Form, the Option identified as "Default" on your Personalized Options chart (on page two of this guide) and on your Coverage Election Form will be deemed to be your choice. Please be sure to make an election and return your completed Coverage Election Form on time.

## **Q4. What happens if I return my Coverage Election Form without a signature or if I do not select only one option?**

Under these circumstances, your Coverage Election Form will be considered invalid. The Option identified as "Default" on your Personalized Options chart (on page two of the guide) and on your Coverage Election Form will be deemed to be your choice. Please be sure to submit a properly completed and signed form.

## **Q5. What happens if I cannot find my Coverage Election Form?**

If you have misplaced your Coverage Election Form, please contact (833) 894-8577. We will promptly send you a new Coverage Election Form.

## **Q6. Do I need to send any money with my completed Coverage Election Form?**

No. You do not need to send any money with your completed Coverage Election Form. You will continue to be billed in the same way you are billed now. If you have not paid premium recently and premium becomes due, a premium notice will be mailed to the address on file.

## **Q7. Can my premiums increase in Phase Two of the Rehabilitation Plan?**

If you elect Option 1 or Option 4, your policy may be subject to additional rate increases in Phase Two of the Rehabilitation Plan. You would be notified in advance of any required premium increase. Similar to Phase One, customized options would be prepared and fully explained to you.

## **Q8. Can my benefits be reduced in Phase Two of the Rehabilitation Plan?**

If you elect Option 1 or Option 4, your policy may be subject to additional benefit reductions in Phase Two of the Rehabilitation Plan. You would be notified in advance of any required benefit reduction. Similar to Phase One, customized options would be prepared and fully explained to you.

## **Q9. What happens if I cancel or lapse my coverage, instead of making a coverage decision?**

If you cancel or lapse your policy *before* your Option becomes effective, your coverage will be converted to a standard paid-up policy. Coverage provided by a standard paid-up policy equals the total premium paid by you since the issue date of your policy, reduced by the sum of any claim payments and any returned premium payments made to you since the issue date of your policy.

If you cancel or lapse your policy *after* your Option becomes effective, your coverage will be converted to the Enhanced Paid-Up Policy as described under Option 3 on your Personalized Options chart on page two of this guide.

## **Q10. I am currently receiving benefits under my long-term care policy. Do I still have to return the Coverage Election Form?**

Yes. You must return your completed Coverage Election Form even if you are currently receiving claim benefit payments. Your benefits may change, depending on the Option you select. If you choose an Option that changes your benefits, your new benefits will start on the date your Option becomes effective. If you do not return your Coverage Election Form, the Option identified as "Default" will be deemed to be your choice.

## **Q11. What is the difference between Annual Premium and Billable Annual Premium?**

Annual Premium is the cost of coverage for policy features listed under each option on your Personalized Options chart. Billable Annual Premium is that amount minus any premium that is currently being waived.

If you currently pay the full premium amount, your Annual Premium and Billable Annual Premium are the same. If your premiums are currently being waived, and your new Annual Premium is greater than the waived premium amount, you will be billed the Annual Billable Premium when your new option becomes effective.

## **Q12. I currently do not have to pay premium because my policy is on waiver of premium. Do I still have to return the Coverage Election Form?**

Yes. You must return your completed Coverage Election Form even if you are currently not paying premium.

**More Questions? Call (833) 894-8577.** Monday through Friday, 8:00 a.m. to 6:00 p.m. EST.



## Important Information for Policyholders

# Understanding the situation and the action you need to take.



The information in this brochure provides general guidance and does not address any specific claims or circumstances. It does not constitute a binding legal statement and is not intended to serve as legal advice or complete legal descriptions. Any forward-looking statements are based on current expectations and assumptions that are subject to change. For full legal information, review the Rehabilitation Plan and applicable Court filings found on the SHIP website: [shipltc.com](http://shipltc.com).



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Dear Policyholder,

Over the past year, I assembled a rehabilitation team of experts and have worked closely with them to help address the financial difficulties experienced by SHIP, your long-term care insurance company.

Based on our evaluation, we prepared a comprehensive Rehabilitation Plan and filed the Plan with the Pennsylvania Commonwealth Court for the Court's review and approval. The Court approved our recommended Rehabilitation Plan.

The Plan involves a number of changes, including making adjustments to insurance policies. This brochure and the other documents included in this Election Package have been thoughtfully designed to help you select the policy modification option that best meets your needs as we implement the Approved Rehabilitation Plan.

You are encouraged to review the information carefully and consult with a family member or trusted advisor to choose the option on your Coverage Election Form that is best for your situation. If you have questions, we are here to help. Just call **(833) 894-8577**.

With warm regards,

  
Jessica K. Altman

Pennsylvania Commissioner of Insurance

# The Situation

Senior Health Insurance Company of Pennsylvania (“SHIP”) is in rehabilitation.

*What does that mean?*



The insurance industry is monitored and regulated by state insurance departments to protect the interests of policyholders. If an insurance company's financial condition indicates the company does not have adequate funds to fully pay for expected future claims, a court-supervised process called “rehabilitation” is initiated.

**On January 29, 2020, SHIP was placed in rehabilitation by the Commonwealth Court of Pennsylvania.** This rehabilitation order placed the company under the control of the Pennsylvania Insurance Department. The Pennsylvania insurance commissioner was appointed as SHIP's Rehabilitator to oversee the financial situation, stabilize current operations, develop a rehabilitation plan to maximize the protection of policyholders, and plan for SHIP's future.

After SHIP was ordered into rehabilitation, the Rehabilitator assembled a team of experts, including a Special Deputy Rehabilitator, to carefully evaluate SHIP's financial problems and explore ways to correct them. Together, that team developed a proposed Rehabilitation Plan. The proposed Rehabilitation Plan was filed with and approved by the Commonwealth Court of Pennsylvania, after a week-long evidentiary hearing and more than a month of post hearing briefing.



On January 29, 2020, SHIP was placed in rehabilitation by the Commonwealth Court of Pennsylvania.

## Important Details about the Rehabilitation Plan

The Plan's principal goal is to correct the Company's financial condition through policy modifications with a focus on protecting policyholder interests. Providing options to policyholders based on individual circumstances is also an important part of the Plan.

## Phases of the Rehabilitation Plan

**Phase One** begins immediately following approval of the Plan by the Commonwealth Court of Pennsylvania. The goal is to reduce substantially or eliminate the financial deficit by modifying the policies. Reducing or eliminating the financial deficit will enable the company to provide meaningful long-term care coverage to policyholders. This will be achieved by a combination of premium rate increases and policy benefit modifications. This Election Package has been prepared to present policyholders with premium rate increase and policy benefit modification options that will help achieve the goal of the Plan. The Options in the Election Package have been customized for each policyholder and have been prepared using the current policy status (i.e., on claim or not on claim and premium-paying or on premium waiver) for each policy. Policyholders will be asked to select the Option that best meets their needs.

Policies that require modification in Phase One are those paying a current premium below the “if Knew Premium”, which is the premium that should have been charged when the policies were originally issued based on a variety of factors known today about the SHIP policies such as historical claim payments, premium rate increases, policy termination rates, and investment returns.

**Phase Two** will begin after the results of Phase One have been evaluated. The goal is to narrow or eliminate any financial deficit remaining after Phase One. The timing and details will depend on the results achieved in Phase One. Whether or not Phase Two will be implemented may be subject to change depending on the circumstances following Phase One.

Premium rate increases and policy benefit modifications may be required for policyholders who elected Option 1 (Downgrade Your Policy) or Option 4 (Keep Your Current Coverage) in Phase One. Policyholders will be notified in advance of any required rate increases and benefit reductions. Similar to Phase One,

customized options for each policyholder will be prepared and fully explained. Certain policyholders, including those who elected Option 2 (Convert to a Basic Policy), Option 2a (Convert to an Enhanced Basic Policy), or Option 3 (Convert to an Enhanced Paid-Up Policy) in Phase One, will not face mandatory rate increases or policy benefit modifications in Phase Two of the Plan.

**Phase Three** will begin after the results of Phase Two have been evaluated. It does not include any policyholder modifications and will not require policyholder elections. This phase is the administrative and final phase.

### We’re Working Hard to Find Solutions for You

The Rehabilitation process is complicated and the financial stability of SHIP is a serious matter. The Rehabilitation team meets regularly to work through the many issues that arise during the Rehabilitation process. The Election Package you received has been customized to help you make an important decision about your SHIP long-term care policy. If you have more than one policy, you will receive an Election Package for each policy. You must make a separate election for each policy.

We understand how important your long-term care insurance coverage is to you and your family. We designed this personalized Election Package to help you make an election that best meets your needs. Coverage options presented have been thoughtfully designed to help you choose a solution that meets your needs as we implement the changes brought about by the approved Rehabilitation Plan.

### Here’s How You Can Stay Informed

Communicating with you about ongoing rehabilitation activities is our top priority. We will continue to send you notices and share updates about rehabilitation and the court process. You are also encouraged to regularly visit SHIP’s website at [shipitc.com/court-documents](http://shipitc.com/court-documents)

# What You Need to Do Now

Select one Option and mail your decision by the deadline indicated on your Coverage Election Form.

Use the enclosed “Step-by-Step Guide for Policyholders” to help you choose an option that best suits your needs.

You can also visit us online at [shipitc.com](http://shipitc.com) to watch our informational video series.

**Step One: Review Your Personalized Options**  
 Please Review Your Personalized Options Carefully Before Making Your Selection.

Option	Annual Premium	Annual Cost	Annual Benefit	Annual Cost	Annual Benefit
Option 1	\$1,000	\$1,000	\$100,000	\$1,000	\$100,000
Option 2	\$1,500	\$1,500	\$150,000	\$1,500	\$150,000
Option 3	\$2,000	\$2,000	\$200,000	\$2,000	\$200,000
Option 4	\$2,500	\$2,500	\$250,000	\$2,500	\$250,000
Option 5	\$3,000	\$3,000	\$300,000	\$3,000	\$300,000

**Step Two: Learn More About Each Option**

Use the enclosed “Step-by-Step Guide for Policyholders” to help you choose an option that best suits your needs.

**1**

**Step Two: Learn More About Each Option**

Use the enclosed “Step-by-Step Guide for Policyholders” to help you choose an option that best suits your needs.

**2**

**Step Three: Complete, sign, and date your Coverage Election Form.**

Return the Form in the enclosed postage-paid envelope.

**3**

**Step One:** Review your Personalized Options chart. It was designed with you in mind and provides important cost and benefit information for each option. You are encouraged to review the information carefully and consult with a family member or trusted advisor to choose the option that is best for your situation.

**Step Two:** Learn more about each option. Compare your options in light of your personal situation. Carefully evaluate the benefits, premium, and possibility of future policy modifications of each option.

**Step Three:** Complete, sign, and date your Coverage Election Form. Return the Form in the enclosed postage-paid envelope.

**YOUR COMPLETED FORM MUST BE POSTMARKED BY THE DATE INDICATED ON YOUR COVERAGE ELECTION FORM.**

# What Happens Next

**After you have selected the option that best suits your needs, here's what you need to know about next steps.**

1. **SHIP will review your Coverage Election Form** to make sure it is complete. You can help us by making sure to:
  - Select only ONE option on the Coverage Election Form.
  - Sign and clearly date the Form.
  - Return ONLY the completed Coverage Election Form in the self-addressed postage-paid return envelope.

**PLEASE NOTE, IF SOMEONE ELSE SIGNS THE FORM ON YOUR BEHALF, THE SIGNING AUTHORIZATION MUST BE ON FILE WITH SHIP.**

2. **If your Coverage Election Form is complete, SHIP** will mail you a written confirmation of your Election upon receipt and will process your selected Option.

3. **If your Coverage Election Form is NOT completed correctly**, if there is time, SHIP will mail you another Coverage Election Form explaining what needs to be corrected. You must complete this new Coverage Election Form. The Form must be returned and postmarked by the date noted on the Form. If you did not submit or correctly complete your Election Form on time, the Default Option will be processed.

4. **Any modification resulting from your selected Option** will be effective on the Election Effective Date, listed on your Coverage Election Form. If your Option changes your benefits and you are currently receiving claim payments, your new benefits will start on the Election Effective Date. You should continue submitting claims in the same manner you have in the past.

In the event a policyholder's circumstances change as specified in the Plan before the Initial Plan Effective Date (for example by going on claim, becoming eligible for premium waiver, going off claim, or losing a premium waiver) the policyholder will be sent a new Election Package and will be required to select a new option from among options applicable to the new circumstances.

5. **If a premium payment is due**, you will continue to be billed in the same way you are billed now. If you do not currently pay premiums and a premium payment is due as a result of the Option you have elected, you will receive a premium notice mailed to the address on file. It is important for you to pay premiums as they become due to preserve your coverage.

6. **If you do not make the premium payment when due**, your coverage will be converted to a paid-up policy. If the date of lapse is before the Election Effective Date, your policy will convert to a standard paid-up policy which has a maximum benefit amount equal to the total amount paid by you in premium since the issue date of your policy, reduced by the sum of any claim payments and any returned premium payments made to you since the issue date of your policy. If the date of the lapse is after the Election Effective Date, your policy will convert to the Enhanced Paid-Up policy as described under Option 3 on your Personalized Options chart on page two of the guide enclosed.

7. **A Summary of Current Coverage document**, a policy endorsement, and a schedule of benefits that reflect your policy modifications and features will be mailed to you within a few weeks after your Election Effective Date, listed on your Coverage Election Form.

**Need More Information? Call (833) 894-8577.**  
Monday through Friday, 8:00 a.m. to 6:00 p.m. EST.



# Frequently Asked Questions

## Q1. What is Rehabilitation?

Rehabilitation is a court-supervised process intended to remedy an insurance company's impaired financial condition for the benefit of policyholders and creditors. On January 29, 2020, Senior Health Insurance Company of Pennsylvania ("SHIP") was placed in rehabilitation by the Commonwealth Court of Pennsylvania (the "Court"). The Court appointed Pennsylvania Insurance Commissioner Jessica K. Altman (the "Commissioner") as Rehabilitator, and she appointed Patrick H. Cantilo as Special Deputy Rehabilitator ("SDR").

The Rehabilitator is charged with protecting SHIP's policyholders, creditors, and the public, including making sure policyholders' coverage continues as long as premiums are paid when due, subject to Plan modifications. Under rehabilitation, the Commissioner conducts an independent, in-depth financial analysis of the insurance company and evaluates and implements opportunities to improve the companies' financial status. The Rehabilitator's actions are dictated by Pennsylvania laws and regulations and are subject to review by the Commonwealth Court of Pennsylvania.

## Q2. What is the purpose of the Election Package?

The Rehabilitator and her Rehabilitation team prepared a comprehensive Rehabilitation Plan and filed the Plan with the Pennsylvania Commonwealth Court for the Court's review and approval. The Court recently approved the Rehabilitation Plan.

The approved Plan involves a number of changes, including making adjustments to insurance policies. These adjustments to the insurance policies include premium rate changes and policy benefit modification options. The purpose of the Election Package is to help policyholders select the option that best meets policyholder needs.

## Q3. What actions do I need to take?

You need to make an important choice about your long-term care insurance coverage. Options for your coverage have been thoughtfully customized with you in mind. Refer to the enclosed "Step-by-Step Guide for Policyholders" and follow these steps:

- Step 1: Review your "Personalized Options" on page 2.
- Step 2: Review "Learn More About Each Option" on page 3.
- Step 3: Indicate your choice on the enclosed Coverage Election Form and mail the completed form to SHIP in the enclosed postage-paid return envelope by the deadline indicated on the form.

## Q4. How can I learn more about SHIP's rehabilitation and the Election Package?

We created an informational video series to help our policyholders, their families and advisors better understand the content of this Election Package, get help understanding their choices and learn how to choose their best option.

The video series is available online at [shipltc.com](http://shipltc.com) and is accessible from smartphones, tablets, and laptops. It also features information on the phases of the rehabilitation plan, how to notify us of your decision, and what you can expect after completing and returning your Coverage Election Form.

## Q5. I am currently receiving claim benefits. Do I need to do anything different?

Claims for policy benefits will continue to be processed and paid in the normal course of business. You should continue submitting claims in the same manner that you have in the past. Any policy or benefit modifications resulting from your selected Option on the enclosed Coverage Election Form will become effective on the Election Effective Date listed on that Form.

## Frequently Asked Questions

- Q6. What happens if I decide to stop paying my premiums?**  
If you cancel or lapse your policy before the Election Effective Date, your coverage will be converted to a standard paid-up policy. Coverage provided by this policy will have a maximum benefit amount which equals the total amount paid by you in premium since the issue date of your policy, reduced by the sum of any claim payments and any returned premium payments made to you since the issue date of your policy.
- If you cancel or lapse your policy after the Election Effective Date, your coverage will be converted to the Enhanced Paid-Up Policy as described under Option 3 on your Personalized Options chart on page two of the enclosed Step-by-Step Guide for Policyholders. Policy Feature amounts for cancelled or lapsed policies could be different from those displayed under Option 3 due to policy-specific benefit payments and inflation.
- Q7. Can I do anything to avoid possible mandatory premium increases or benefit reductions in Phase Two?**  
You can select one of Options 2, 2a, or 3 in Phase One. Policyholders who choose those options in Phase One are not subject to mandatory modifications in Phase Two.
- Q8. Are any policies exempt from mandatory premium increases or benefit reductions in Phase Two regardless of which Option they choose in Phase One?**  
Options 2, 2a, and 3 are exempt from mandatory modifications in Phase Two. If you select Option 1 or Option 4 in Phase One, you may or may not be exempt from mandatory modifications in Phase Two. If the Guaranty Association Coverage Limit (found on the “Summary of Current Coverage” document) is equal to or greater than the Maximum Lifetime Benefit (of the Phase One Option chosen), you will be exempt from mandatory modifications in Phase Two. If the Annual Premium (of the Phase One Option chosen) is equal to or greater than the Hypothetical Phase Two Annual Premium (found on the enclosed “Summary of Current Coverage” document), you may be exempt from mandatory modifications in Phase Two. Otherwise, selecting Options 1 or 4 may not exempt you from Phase Two modifications.

- Q9. If my policy is not subject to mandatory modifications in Phase Two, can I still choose a different Option at that time?**

Certain voluntary changes can be made in Phase Two, but you cannot increase coverage.

**Q10. Are policyholder elections permanent?**

Yes. Once the Coverage Election Form due date passes, you cannot change the option you selected. If the Coverage Election Form is not received on time, you cannot change the “Default” option. All benefit and/or premium changes elected (or defaulted to) pursuant to the Court-approved Rehabilitation Plan are permanent changes to the policy.

**Q11. Have any other rehabilitation alternatives been considered?**

A number of alternatives have been explored and the Rehabilitator determined they are either not feasible or that the Plan is preferable under the current circumstances.

**Q12. Is there a possibility SHIP could be liquidated?**

The Pennsylvania Commonwealth Court could decide at some time in the future to place SHIP into liquidation.

**Q13. How is liquidation different from rehabilitation?**

Under rehabilitation, the Pennsylvania Insurance Commissioner evaluates and implements actions to restore the company’s financial condition to a favorable status. The Insurance Commissioner recommends liquidation when the Commissioner believes rehabilitation efforts should no longer be pursued.

In the insurance industry, rehabilitation is a process that allows the Rehabilitator to formulate a plan for restructuring the company and/or modifying the policies to protect policyholder interests. Liquidation is a court-directed process that prescribes the disposition of assets and liabilities for an insurer when it is determined that future policyholder obligations cannot be fully met.

## Frequently Asked Questions

### Q14. What would happen if SHIP were liquidated?

If SHIP were ordered into liquidation, it is probable that state insurance guaranty associations would continue coverage for policyholders up to applicable statutory coverage limits. 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. If SHIP is placed in liquidation, policyholders may be subject to future rate increases and benefit reductions.

SHIP has not been placed in liquidation. Therefore, no Guaranty Association is responsible for SHIP's policy obligations at this time. For information about state guaranty associations, please visit [nolhga.com](http://nolhga.com).

### Q15. How does coverage in the Rehabilitation Plan compare to coverage in liquidation?

Under the Rehabilitation Plan you have at least one option that provides coverage greater than or equal to coverage you would receive in liquidation from the Guaranty Associations. The Plan offers other options unlikely to be available in liquidation.

### Q16. Where can I get more details about these matters?

The Approved Rehabilitation Plan is on SHIP's website. Please visit [shipitc.com](http://shipitc.com).

## Additional Questions? Call (833) 894-8577.

Monday through Friday, 8:00 a.m. to 6:00 p.m. EST.

## Glossary of Terms

**Additional Benefits:** Some long-term care policies include benefits other than nursing home, facility, home health care, or adult day care. Examples of these include, but are not limited to, bed reservation benefit, respite care, hospice care, caregiver training, medic alert, prescription drug benefit, homemaker services, and ambulance services.

**Benefits:** Money an insurance company pays to policyholders or care providers for services the insurance policy covers.

**Benefit Account Value (Pool of Money):** A policy provision that indicates whether the policy includes benefits in dollars up to the total Maximum Lifetime Benefit or includes each day paid up to the Maximum Benefit Period days.

**Claim:** A request made to pay benefits for eligible services.

**Commonwealth Court or Court:** The Commonwealth Court of Pennsylvania, which is the rehabilitation court for SHIP and has exclusive authority over SHIP's rehabilitation.

**Coverage Election Form:** The election form, included in this Election Package, on which a policyholder specifies the Option he or she chooses under the Rehabilitation Plan to modify their policy.

**Effective Date:** The date the provisions of the Rehabilitation Plan, including modification of long-term care policies and Policyholder Elections, will become effective following approval of the Rehabilitation Plan.

**Elimination Period:** The time period during which a policyholder qualifies for benefits but for which no benefits are yet payable.

**Extension of Benefits:** A provision in the policy permitting claim payments to continue for a policy on claim that lapses due to non-payment of premium.

**Guaranteed Renewable Policy:** An insurance company guarantees the policyholder the right to renew the policy for life, as long as the policyholder pays the premiums on time. Most long-term care insurance policies are guaranteed renewable.

## Glossary of Terms

**Guaranty Association:** Organizations created by statute in each state that are responsible for continuation of insurance coverage for eligible policyholders of insurance companies that are placed in liquidation. These organizations offer continuation of coverage up to a defined Guaranty Association Coverage Limit that is determined by state of residence of the policyholder.

**Inflation Benefit:** A rider purchased or a policy provision that provides for defined increases in benefits at regular intervals in order to protect against the effect of inflation on the cost of care.

**Lapse:** When a policyholder owes premium on their insurance policy but stops paying the premium, resulting in the termination of the policy and loss of insurance protection and benefits.

**Liquidation:** A legal step a state insurance department takes when an insurance company can't recover from its financial troubles.

**Long-Term Care Insurance:** Insurance that offers benefits to pay for nursing home care, home health care, and/or other services for individuals who can't perform daily living activities or must be supervised due to illness or cognitive impairment.

**Maximum Benefit Period:** The maximum duration during which benefits will be available under the policy.

**Maximum Daily Benefit:** The maximum daily dollar amount available on a covered date of care as specified in the policy, for each eligible type of care. NH= Nursing Home, ALF= Assisted Living Facility, HHC= Home Health Care.

**Maximum Lifetime Benefit:** The maximum benefit amount available for the life of the policy, reflecting inflation assuming benefits start now. This benefit amount may not include eligible Restoration of Benefits associated with the policy.

**Policy Benefit Limit:** The maximum benefit amount a policy will pay. Some policies define the policy benefit limit in years (one, two, three or more, or even lifetime). Others define the policy benefit limit as a total dollar amount. Policies often use words such as "total lifetime benefit," "maximum lifetime benefit," or "total plan benefit" to describe their maximum benefit limit.

**Policy Modifications:** Premium rate changes or benefit reductions implemented for each policyholder in accordance with the terms of the Rehabilitation Plan.

**Policyholder Election:** The election by a policyholder to modify the premiums or benefits of his or her policy under the Rehabilitation Plan.

**Policyholder Election Date:** The date by which the Coverage Election Form must be properly completed, signed, and postmarked in order for the election to be effective.

**Premium:** The amount you pay for your insurance coverage.

**Rehabilitation:** A court-supervised process intended to remedy an insurance company's financial deterioration for the benefit of policyholders and creditors.

**Rehabilitation Plan:** A plan to correct an insurance company's financial situation through policy modifications and other cost cutting measures while protecting policyholder interests. The plan is proposed by the Rehabilitator and approved by the Court.

**Rehabilitator:** The state insurance commissioner appointed by the Court to oversee an insurance company's rehabilitation process. The commissioner takes legal control of the company and does an independent, in-depth financial analysis of the company. The commissioner is charged with the protection of the company's policyholders, creditors, and the public. The rehabilitator's actions are dictated by the laws and regulations of the state and are subject to review by the Court. Jessica K. Altman is the Rehabilitator for SHIP.

**Reimbursement Type:** The method by which the Daily Benefit will be paid out. Reimbursement provides coverage for the actual expenses of care up to specified limits. Indemnity pays the full daily benefit amount regardless of expenses incurred.

**Reinstatement Provisions:** A policy provision that provides for a policyholder who meets certain conditions to reinstate their policy after it has been canceled because premiums were not paid on time.



**Restoration of Benefits:** A policy provision under which the benefit period for a policyholder will be restored to the original Maximum Benefit Period after receiving some or all claim benefits if the policyholder does not need or receive care during a specified period of time (such as 180 days).

**Return of Premium Benefit:** A rider purchased or policy provision which provides for the return of a percentage of premium paid by the policyholder (such as 80%) in consideration of the absence of claim payments during a given period of time in which the policy was in force (such as ten years), or upon policy termination.

**Special Deputy Rehabilitator:** An individual appointed by the Rehabilitator to oversee the day-to-day affairs of the company and to prepare a plan for the company's rehabilitation. Patrick H. Cantilo is the Special Deputy Rehabilitator for SHIP.

**State Insurance Commissioner:** A state regulator who heads the state insurance department and monitors and regulates insurance agents and companies. Jessica K. Altman is the State Insurance Commissioner in Pennsylvania.

**State Insurance Department:** The state regulatory agency responsible for administering laws and regulations for all types of insurance.

**Waiver of Premium Benefit:** A policy provision under which the policyholder is no longer required to pay premiums for coverage in specified circumstances, such as eligibility for benefits.

**Need More Information? Call (833) 894-8577.**

Monday through Friday, 8:00 a.m. to 6:00 p.m. EST.

**STATE OF VERMONT  
DEPARTMENT OF FINANCIAL REGULATION**

<b>IN RE: SENIOR HEALTH</b>	)	
<b>INSURANCE COMPANY OF</b>	)	<b>DOCKET NO. 22-005-I</b>
<b>PENNSYLVANIA</b>	)	

**EX PARTE ORDER TO CEASE & DESIST**

**Senior Health Insurance Company of Pennsylvania – Long Term Care**

On March 4, 2022, through counsel, the DFR Insurance Division submitted a Motion for Ex Parte Cease & Desist Order alleging that Senior Health Insurance Company of Pennsylvania (SHIP) is transacting insurance business in this State in a manner that is causing or is reasonably expected to cause significant, imminent, and irreparable injury to Vermont policyholders. See Motion attached hereto. I have reviewed the alleged violations specified in the Motion, which are incorporated herein by reference, and find, based on the allegations, that good cause exists for me to issue the requested Ex Parte Cease and Desist Order.

***Ex Parte*  
CEASE AND DESIST ORDER**

This order is issued pursuant to 8 V.S.A. §§ 11, 12, 15, 3661(a), 8809, and DFR-2022-01 § 1.04(O). I believe that SHIP is violating Vermont law and regulations as described in the DFR Insurance Division’s March 4, 2022 Motion for Ex Parte Cease & Desist Order.

Effective immediately, except as expressly provided herein, SHIP and its principals, employees, and agents (including the Rehabilitator and its deputies and agents) shall halt disseminating, implementing, or enforcing in this State the “Coverage Election Package” or otherwise interfering with the rights of SHIP’s Vermont policyholders or violating the insurance

laws and regulations of this State, including, but not limited to, notifying Vermont policyholders of proposed rate or benefit modifications under SHIP policies or requesting that Vermont policyholders select rates or benefits different under SHIP policies from those authorized by the Vermont DFR and called for under the terms of the contract, charging additional premium, or withholding, delaying, or encumbering benefits in whole or in part, until such time as otherwise ordered by the Vermont DFR.

This Order does not prohibit SHIP from filing a premium increase request, or a proposed schedule of rates for proposed voluntary policy modifications, for review by the Commissioner in the manner prescribed by Vermont law, with sufficient supporting information to enable the Commissioner to determine whether the requested rates are neither inadequate, excessive, nor unfairly discriminatory. This Order does not prohibit SHIP from sending notices of any such filings to consumers if the notices have been reviewed by the Commissioner for accuracy and compliance with Vermont law and have not been disapproved.

### **NOTICE OF RIGHT TO HEARING**

SHIP is hereby given NOTICE that a hearing will be afforded in this matter if they so request in accordance with Department of Financial Regulation Administration Procedures No. 2022-01 § 1.04(O) within thirty (30) days from the date of the mailing of this Notice. Any such request must be delivered to the attention of the Docket Clerk, Beth Sides, 89 Main Street, Montpelier, Vermont 05620-3101.

The Department of Financial Regulation is located at 89 Main Street, City Center, 3d Floor, Montpelier, Vermont. If a hearing is requested, one will be scheduled within thirty (30) days after the Department's receipt of such a request.

Such hearing in this matter will be conducted in accordance with the contested case procedures prescribed in 3 V.S.A. § 809 and Department of Financial Regulation Administrative Procedures Rule No. 2022-01. All parties have the right to represent themselves or to be represented throughout the proceedings by legal counsel.

**FAILURE TO REQUEST A HEARING IN A TIMELY MANNER OR TO ATTEND A HEARING THAT HAS BEEN SCHEDULED MAY RESULT IN THE ENTRY OF A**

DEFAULT JUDGMENT AGAINST YOU FOR THE RELIEF REQUESTED BY THE DEPARTMENT.

BY ORDER OF THE COMMISSIONER OF FINANCIAL REGULATION

Dated at Montpelier, Vermont this 6<sup>th</sup> day of March, 2022.

By: 

Michael S. Pieciak  
Commissioner of Financial Regulation  
Vermont Department of Financial Regulation