

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES AND BANKING**

IN THE MATTER OF:

Senior Health Insurance Company
of Pennsylvania (In Rehabilitation),

Respondent.

Case No.: IB-CD-2-22

CEASE AND DESIST ORDER

Pursuant to D.C. Official Code § 31-233, the Commissioner of the Department of Insurance, Securities and Banking hereby enters this order against Senior Health Insurance Company of Pennsylvania (“SHIP”) directing that it cease and desist from implementing its rehabilitation plan of September 2021 in the District except as provided. In support thereof, and after a summary cease and desist order was issued affording SHIP an opportunity for a hearing, the Commissioner takes administrative notice of the following findings of facts:

BACKGROUND

1. SHIP is a Pennsylvania-domiciled life and health insurance company that became authorized to issue long-term care insurance (“LTC”) policies in the District as a foreign insurer beginning in 1986 (NAIC Company Code 76325).¹ SHIP’s District of Columbia certificate of authority expired on April 30, 2020.²

¹ <https://sbs.naic.org/solar-external-lookup/lookup/company/summary/34185707?jurisdiction=DC>

² *Id.*

2. Prior to November 12, 2008, SHIP operated as Conseco Senior Health Insurance Company.³ From 1997 to 2000, a number of other long term care insurance companies merged into, or were acquired by Conseco Senior Health Insurance Company.⁴

3. Since 1995, SHIP has filed three requests for premium rate increases for its LTC policies issued in the District. SHIP's 1995 filing was for a 12% increase and was approved, its 1998 filing was for a 16% increase and was approved, and its 2003 filing was for a 25% increase and was denied. SHIP has not submitted any further rate filings with the Department since 2003.

4. On November 12, 2008, the Pennsylvania Insurance Department ("PID") approved a solvent run-off plan pursuant to which the ownership of Conseco Senior Health Insurance Company was transferred to a Trust and the company was renamed "Senior Health Insurance Company of Pennsylvania," known colloquially as "SHIP." The Trust was formed with the authorization and input of PID with the intent to guide SHIP's run-off as a non-profit enterprise.⁵

5. All of the policies administered by SHIP were issued on or before 2003.⁶

6. In recent years, SHIP experienced financial distress and faced the

³ See [Opinion and Order](#) at 2-4, No. 1 SHP 2020, Commonwealth Court of Pennsylvania (August 24, 2021) (approving SHIP's rehabilitation plan) ("[Order of Approval](#)"). SHIP has established a webpage that contains the material documents related SHIP's rehabilitation and court proceedings: <http://www.shipltc.com>.

⁴ *Id.*

⁵ See [Order of Approval](#) at 3.

⁶ *Id.*

possibility of insolvency.⁷

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

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 – 221.18, 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

9. State insurance regulators from Massachusetts, Maine and Washington intervened in rehabilitation proceedings.¹⁰ The District is not a party to the rehabilitation proceedings.

10. Anthem, Inc., Health Care Service Corporation, Horizon Healthcare Services, Inc. d/b/a Horizon Blue Cross Blue Shield of New Jersey, and UnitedHealthcare Insurance Company, entities that would be subject to assessment under a liquidation order triggering guaranty association protection, appeared as intervenors in the Rehabilitation Proceedings to fully support the Plan.¹¹

⁷ *Id.* at 4.

⁸ See [Order of Rehabilitation](#).

⁹ *Id.*

¹⁰ See [Order of Approval](#) at 6.

¹¹ *Id.*

11. SHIP’s financial condition has continued to deteriorate and its current deficit is approximately \$1.2 billion.¹² In deciding to pursue a rehabilitation rather than a liquidation, the Special Deputy Rehabilitator testified that, “in a liquidation, guaranty association coverage will be triggered, resulting in taxpayers contributing hundreds of millions of dollars to pay claims of policyholders who have not paid an appropriate premium. Rather than shifting the burden of the inadequate premium to taxpayers, the team concluded that the better course was to right-size the existing policies to an actuarially justified premium.”¹³ In commenting on the Plan, the Special Deputy Rehabilitator acknowledged “that no rehabilitation plan will magically restore SHIP to solvency.”¹⁴

12. On April 22, 2020, the Rehabilitator filed her Application for Approval of the Plan of Rehabilitation for SHIP and contemporaneously filed a Rehabilitation Plan (“Plan”).¹⁵

13. The Plan was approved on August 24, 2021, as amended on November 4, 2021.¹⁶ In characterizing the Plan, the Commonwealth Court was clear in explaining that the “ultimate goal is to eliminate the Funding Gap by increasing premium revenue and modifying the existing terms of most of the approximately 39,000 policies in force.”¹⁷ The Intervening States’ expert testified that “under the

¹² *Id.* at 4.

¹³ *Id.* at 14.

¹⁴ *Id.* at 14-15.

¹⁵ See [Approved Rehabilitation Plan](#) (September 30, 2021).

¹⁶ See [Order of Approval](#).

¹⁷ *Id.* at 1. See also [Approved Rehabilitation Plan](#) at 10.

Second Amended Plan, policyholders bear the responsibility for the \$1.2 billion Funding Gap through benefit reductions and premium increases. By contrast, in liquidation, policyholders would bear a burden of approximately \$397 million, and the guaranty associations would bear a burden of approximately \$837 million.”¹⁸

14. On September 21, 2020, the intervening state insurance regulators appealed the Order of Approval to the Pennsylvania Supreme Court (Middle District), No. 71 MAP 201. Approximately 24 state insurance regulators, including the undersigned, requested leave and filed a brief in support of the intervening state regulators as amici curie.¹⁹

15. On January 30, 2022, the Pennsylvania Supreme Court denied the request to stay filed by the intervening state regulators.²⁰ As of this filing, although the appeal has been fully briefed, no date has been set for oral argument.

16. In addition to opposing the Plan in the direct appeal before the Pennsylvania Supreme Court, several of the intervening and amici states have initiated collateral civil and administrative actions to enjoin the implementation in their respective states. Among the States that have obtained or have pending requests for civil injunctions include: South Carolina, Louisiana, North Dakota, Iowa (pending) and North Carolina (pending). Among the States that have issued administrative cease and desist orders include: Arkansas, Alaska, Connecticut, District of Columbia, Maine, Maryland, Montana, Ohio, Utah, New Hampshire, and

¹⁸ *Id.* at 31.

¹⁹ <https://www.shipltc.com/court-documents>

²⁰ *Id.*

Vermont.

SHIP'S APPROVED REHABILITATION PLAN

17. At the outset, SHIP makes clear that the “aim of the Plan is to increase revenues and reduce liabilities so as to narrow or eliminate that gap through a combination of Policy Modifications for most of the approximately 39,000 policies in force as of the filing of this Second Amended Rehabilitation Plan.”²¹

18. Plan contains a so-called “opt-out” process for States that objected to the Rehabilitator’s attempt to disregard the laws of the various States where policies were sold and pursuant to which SHIP was authorized to do business. Under the “opt-out” provisions, States are required to either “opt-in” to the Plan and accept on behalf of their State’s policyholders yet to be determined combinations of rate increases and benefit reductions, or to “opt-out” and review SHIP’s proposed rate increases.²² If a State elects to “opt-in,” then its policyholders will be afforded five coverage options to select from. If a State elects to “opt-out,” then SHIP will file its proposed rates with the jurisdiction for approval. If an “opt-out” State approves SHIP’s rate increases, then the State will be treated as an “opt-in” State. If an “opt-out” State denies SHIP’s proposed rate increases, then SHIP would unilaterally reduce the benefits for the State’s policyholders and require the policyholders to voluntarily pay the disapproved rates to avoid downgraded benefits or accept benefit reductions, all without authorization.²³

²¹ [Approved Rehabilitation Plan](#) at 10.

²² *Id.* at 108-10.

²³ *Id.* The Plan also cites 11 key benefit reductions that will be selected by the Rehabilitator in determining how a specific policy should be downgraded. *Id.* at 45-46. To this end, the Special Deputy Rehabilitator testified, “[t]he policyholder will not choose which benefits to downgrade,

19. On November 29, 2021, the District informed the Rehabilitator of its intent to “opt-out” of the Plan while reserving all rights to oppose the Plan.²⁴

20. On November 30, 2021, the District received a letter from SHIP confirming its receipt of the District’s “opt-out” election.²⁵ The confirmation letter reiterates, as provided in the Plan, that because the District has “opted out of the Approved Rehabilitation Plan, the “Rehabilitator will file a premium rate application for policies issued in your state on an If Knew Premium basis.”²⁶

21. On December 21, 2021, SHIP filed with the Department proposed premium rates for the District policyholders, designated in the Plan as the “If Knew Premium” rate filing.²⁷ As noted in its rate filing, SHIP currently has 5 in force policies issued in the District and subject to District law, with the average age of the District policyholders being 84 years-old. SHIP’s If Knew Premium rate filing proposed an average premium increase of 425% for the District’s policyholders. The average annualized premium for policies affected by SHIP’s rate filing increased from \$1,051 to \$5,522.

22. SHIP’s rate filing included a supporting actuarial analysis prepared by Oliver Wyman Actuarial Consulting, Inc. (“Oliver Wyman”) (“Actuarial Memorandum”), which confirmed the “opt-out’ process:

which was discovered to be too complicated in the Penn Treaty liquidation.” [Order of Approval](#) at 16.

²⁴ See [Letter from Commissioner Woods to SHIP \(In Rehabilitation\) \(November 29, 2021\)](#).

²⁵ See [Letter from Special Deputy Rehabilitator Patrick Cantilo to Commissioner Woods \(November 30, 2021\)](#).

²⁶ *Id.*

²⁷ See [SHIP If Knew Premium Rate Filing](#) (LTC03I LTC Individual) (SERFF Tracking # SHPT-133066638).

As an opt-out State, you will have until February 15, 2022 to provide a disposition as to the premium rate modifications requested herein, otherwise this filing will be deemed denied in its entirety. A filing deemed denied in its entirety will result in policyholder options being calculated and implemented as if the state had approved a 0% premium rate increase for all policies.

If your state submits an opt-out election that is acknowledged by the Rehabilitator, but subsequently approves the requested rate increase in full, your state will be treated as if it had not opted out of the Plan (i.e., it will be deemed an Opt-In State). Policyholders issued in your state will be included in the Plan in the same manner as policies issued in states that did not opt out (“Opt-In States”).

If your state approves the requested rate increase in part, policy benefits may be reduced to amounts that can be supported by the approved rates on an IF Knew Premium rating basis depending on the Plan options elected by affected policyholders.²⁸

23. The Actuarial Memorandum also contains an actuarial certification which states in part:

The rate filing is being requested in accordance with and subject to the terms of the Plan. Compliance with the applicable requirements of the 2017 NAIC model Regulation and **applicable laws and regulations in your state were not considered in preparing this rate submission.**²⁹

This statement is consistent with the Plan, which states in the Rate Approval section: “Rate increases and Policy Modifications will be submitted to Commonwealth Court of Pennsylvania for approval as part of the Plan. The Rehabilitator will not seek separate approval of rate increases or benefit reductions from insurance regulators in the states in which the policies were issued.”³⁰

24. On February 2, 2022, the Rehabilitation Court approved SHIP’s proposed premium rate plan and methodology established by the Plan and

²⁸ Actuarial Memorandum at 1 (emphasis in original).

²⁹ Actuarial Memorandum at 11 (emphasis added).

³⁰ [Approved Rehabilitation Plan](#) at 34.

separately reviewed and approved by Commissioner Altman, acting in her capacity as the PID insurance regulator, that will be used by SHIP nationwide, including in the District.

25. The Actuarial Memorandum states that the requested rate increase “varies on a seriatim basis,” which means that SHIP’s premium rates are calculated at the policy level.³¹ The Actuarial Memorandum explains that “the requested rate increase is dependent on each individual policyholder’s characteristics (*e.g.*, gender, issue age) and product feature (*e.g.*, benefit period, inflation protection), without regard to policyholder’s current attained age, state of issue, state of residence, health conditions or premium-paying status.”³²

26. A key element of If Knew Premium rate filing is that the policies are re-priced so that the requested premiums reflect what is deemed to be an adequate rate, irrespective of what rates had been historically filed and approved, so as to permit SHIP to recapture short-falls in reserves over the remaining premium period sufficient to pay claims according to the policy limits based on best-estimate actuarial assumptions.³³ This means that the If Knew Premium rates were determined by considering all of the actual experience and history for long term care claims experience and then calculating rates that would have been necessary to achieve a 60% loss ratio, including with the assumption that such rates had been

³¹ *Id.* at 3.

³² *Id.* at 4-5.

³³ *Id.* at 5 (“A key element of If Knew Premium rating is that it does not seek to recuperate potential past losses incurred by the company; rather, policies are re-priced such that premiums are adequate on a lifetime basis using current best-estimate actuarial assumptions.”).

charged from inception.³⁴ The Actuarial Memorandum, however, did not attempt to demonstrate that the 60% loss ratio was the greater of the initial target lifetime loss ratio or minimum loss ratio applicable to the form, rather it cited the 60% threshold as being the LTC industry standard.³⁵

27. The Actuarial Memorandum also states that “some original policy forms for the policies affected by the proposed rate increase contains language that requires that any requested premium rate change apply to all policies in a given state under the respective policy form.”³⁶ The Actuarial Memorandum continues, “this requirement is eliminated by the Plan” and the If Knew Premium “filing may request different rate increase for policies issued on the same form.”³⁷

28. Actuarial Memorandum explains that if the amount of the increase that is approved is less than the full requested premium rate increase, policyholders will have four options provided to them and summarizes the options as follows:

Depending on the option elected by an affected policyholder, benefits under their policy may be reduced to the amount that can be funded by the effective premium rate on an If Knew Premium rating basis.

The four options include:

- Option A: Pay the approved premium rate increase and have policy benefits reduced to the benefit level supported on an If Knew Premium rating basis by the increased rate.
- Option B: Do not pay the approved premium rate increase, continue paying the current rate, and have policy benefits reduced to the

³⁴ *Id.* at 6-7.

³⁵ *Id.* at 7.

³⁶ *Id.* at 2.

³⁷ *Id.*

benefit level supported on an If Knew Premium rating basis by the current premium rate.

- Option C: Elect a reduced paid-up non-forfeiture option.
- Option D: Voluntarily pay the full If Knew Premium Rate (even if not approved by the state) and maintain the current policy benefits.³⁸

29. In describing Phase II, the Plan includes the following disclaimer:

THE DETAILS OF PHASE TWO CALCULATIONS ARE SUBJECT TO CHANGE AND REFINEMENT DEPENDING ON THE RESULTS OF PHASE ONE AND INTERVENING EVENTS. POLICYHOLDERS WHO WERE REQUIRED TO PAY MODERATELY HIGHER PREMIUMS FOR OPTION FOUR IN PHASE ONE MAY BE REQUIRED TO PAY MATERIALLY HIGHER PREMIUMS TO PRESERVE THEIR COVERAGE IN PHASE TWO.

(emphasis in original).³⁹

30. To date, SHIP has not filed forms that correspond to the yet to be determined benefit reductions proposed in the four options for the “opt-out” State policyholders.

31. To attempt to reconcile some of the deficiencies and inconsistencies with District law in the If Knew Premium rate filing, the staff of the Department submitted objections to SHIP through the State Electronic Rate and Form Filing (SERFF) database on February 11 and 14, 2022, some of which are reproduced here:

- The pre-rate increase Nationwide (NW) experience LifeTimeLR (LLR) is projected to be 105.1% (Exh B) and post rate increase is 103.8% (Exh C) showing that the rate increase impact is minimal in terms of LLR reduction. In light of this fact/revelation, please justify the usefulness of the rate increase request.

³⁸ *Id.* at 7-8.

³⁹ [Approved Rehabilitation Plan](#) at 58. For reasons that are likely obvious based on its financial condition, the Plan does not include or mention any efforts to sell the closed block of SHIP’s LTC policies or locate sources of additional capital as would be the convention in attempting to rehabilitate an insurer. Instead, after more than 25-years of mismanagement, the Plan attempts to “narrow or eliminate” SHIP’s \$1.2 billion funding gap within a two-to-three-year window solely on the backs of policyholders and without the benefit of compounded investment returns and underwriting profits.

- The pre-rate increase DC LLR is 73.0% (Exh D) and post 68.2% (Exh E). In light of the DC better LLR, DISB believes that if the 'If Knew Premium' (IKP) rating calculation process was performed for DC policies, the rate increase needed would just be 0%. Please do the re-calculation of the rate increase needed based on this logic.
- When the NW LLR is above 100%, the 58/85 test is automatically passed, but considering DC's LLR of 73%, the maximum rate increase allowed may be limited by this test, but such test results were not provided. Please demonstrate and provide the result of such test.
- The 'If Knew Premium' (IKP) calculation projection was not provided. We definitely would want to take a look at the IKP at NW, DC, and policy level to see if the projection is reasonably applied. DC having Lifetime Loss Ratio (LLR) at 73%, much lower than the 105% NW, may show IKP allowed rate increase at much lower level than the average 425% requested from us. Please provide the necessary information/data/justification applicable to this issue.
- The NAIC model bulletin applies a 60/80 test for pre-rate stabilized plans (which applies to this SHIP block of business), similar to the 58/85 test for rate stabilized plans. This as a standard test for pre-rate stabilized plans for rate increase considerations. The company has not demonstrated this test in their filing. Please supply such demonstration.
- The earned premiums of 1975-1990 were condensed (ie grouped together). DISB needs the yearly numbers for a more accurate analysis and calculation.
- It is not clear how the company at policy level IKP is modeled. We would want to request the policy level IKP projection for validation.
- DC regulation limits the max LTC annual rate increase to 10%. The proposed average 425% rate increase filed is obviously not in accordance to this regulation. Please explain why such request is made in the filing.

32. To date, SHIP has not responded to the DISB's objections.

33. The Rehabilitator set a deadline of February 15, 2022, for the

Commissioner to approve SHIP's If Knew Premium rate filing. Having submitted a

rate filing that was deficient and inconsistent with District law, a Summary Cease and Desist Order was issued on February 15, 2022, to enjoin the Rehabilitator from implementing the Plan in the District.⁴⁰ The Summary C&D Order also informed SHIP of its obligation to file an answer and right to request a hearing.

34. On March 1, 2022, SHIP sent a letter to the District acknowledging receipt of the February 15 Summary C&D Order.⁴¹ SHIP's letter also indicated that because the District had not formally acted on its rate filing, it was treating the proposed rates as being deemed denied and proceeding forward with mailing policyholder election packages to District policyholders. Although SHIP contended in its letter that the District did not have jurisdiction over SHIP to enjoin the implementation of the Plan, it did not request a hearing.

AUTHORITIES AND ANALYSIS

35. The Commissioner is delegated authority pursuant to D.C. Official Code § 31-103 to regulate the business of insurance as established by the District law enacted by the Council of the District of Columbia and codified in Chapters 1 – 55 of Title 31, of the D.C. Official Code.

36. Pursuant to D.C. Official Code § 31-233, if the Commissioner determines after a hearing, unless the right to a hearing is waived, that a person has engaged in any activity prohibited by Title 31 or any rule or order adopted under this chapter, the Commissioner may, in addition to any other action in which

⁴⁰ See [SHIP Summary C&D Order](#) (February 15, 2022).

⁴¹ See SHIP Letter to Commissioner Woods (March 1, 2022).

he is authorized: (1) Issue a cease and desist order against the person.⁴²

37. Pursuant to D.C. Official Code § 31-4712, every life insurance company shall file with the Commissioner for approval the classification of risks and the premium rates appertaining thereto, and policy forms.

38. Pursuant to D.C. Official Code §§ 31-2231 *et seq.*, no person shall engage in an unfair or deceptive act or practice in the business of insurance in the District.

39. Pursuant to D.C. Official Code §§ 31-2231.03, no person shall make, issue, circulate, or cause to be made, issued or circulated, an estimate, illustration, circular or statement, sales presentation, omission, or comparison that:

(1) Misrepresents the benefits, advantages, conditions, or terms of a policy.

⁴² Although SHIP declined to request a hearing in its March 1, 2022, letter to the Commissioner, it suggested the Order of Rehabilitation preempts District insurance law. The Commissioner disagrees. In reviewing the Order of Rehabilitation and the Pennsylvania rehabilitation laws, neither include any express or implied language suggesting that the authority granted to a domestic rehabilitator preempts the regulatory authority of foreign regulators. Similarly, as a reciprocal State with Pennsylvania by virtue of adopting the NAIC model receivership law, the District's rehabilitation laws at D.C. Official Code § 31-1312 similarly do not include any express or implied language that would preempt the regulatory authority of a foreign regulator.

Further, the Construction and Purpose and Conflict of Laws sections in the NAIC Insurer Receivership Model Act, NAIC MO-555-1 support this view. Specifically, § 101. B. states that the "Act shall not be interpreted to limit the powers granted the commissioner by other provisions of law," and § 102 provides that the Act shall prevail only in the event of a conflict with other provisions of law. In this regard, the NAIC Insurer Receivership Model Act does not, and was not intended to, conflict with the principal regulatory powers granted to a commissioner; rather, they are complementary.

In addition, the NAIC Proceedings Citations (legislative history) for NAIC Model Law 555-1 deemed it significant to record the following comment under § 101, which reflects the contemporaneous thoughts of the NAIC Committee when the revised section was adopted: "An interested party explained that the revision proposed during the July 13, 2004 conference call was intended to prevent unintended consequences of declaring that the receivership law trumps all other state laws."

Finally, although there are Pennsylvania cases noted in various of the legal papers filed in the Pennsylvania rehabilitation and appeal acknowledging the rehabilitator's authority to modify contracts, based on an independent review, none of the cases expressly preempt the regulatory authority of foreign regulators, specifically to approve rates for policies issued in foreign jurisdiction.

40. Pursuant to D.C. Official Code §§ 31-2231.04, no person shall make, publish, disseminate, circulate, or place before the public, or cause, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine, or other publication, or in a notice, circular, pamphlet, letter, or poster, or over a radio or television station, or in any other way, an advertisement, announcement, or statement containing an assertion, representation, or statement with respect to the business of insurance or with respect to an insurer in the conduct of its insurance business which is untrue, deceptive, or misleading.

41. SHIP's If Knew Premium rate filing with the District is deficient and does not comply with District law, and its stated intention to implement the Plan in the District using rates and forms are unauthorized poses an immediate and substantial harm to its District policyholders.

42. As established, SHIP has not provided sufficient information or analysis to support its If Knew Premium rate filing and to permit a meaningful review of whether the rates and benefits that will correspond with the elections of the District policyholders, be it under the 'opt-in' or "opt-out" options, are excessive, unfairly discriminatory or actuarially justified. According to the Plan and its Actuarial Memorandum, SHIP's If Knew Premium rate filing and the forms it intends to use were prepared to comply only with the Plan and not with District law.

43. For example, SHIP has considered rating factors that are either prohibited under District law or were not considered when the policies were originally issued, and despite its assertion, SHIP offers no substantiation for its

claim that the re-priced rates are not intended to recoup company losses or for its basis for relying on the 60% loss ratio as it applies to the individual policyholders. Further, the If Knew Premium rate filing proposes to use gender as a rating factor even though none of the policies subject to a proposed rate increase was underwritten based on gender and gender has never been used as a rating factor in connection with any prior rate increase filed in the District. The If Knew Premium rate filing also proposes to alter how issue age is used for the applicable policy forms. Under the proposal, the premium rate will now vary within a particular issue age by the issue age month of the policyholder.

44. As for the proposed benefit reductions, irrespective of whether SHIP's If Knew Premium rate filing was approved or not, the Plan references that the reductions will be based on 11 key policy benefits and ultimately concludes that such determinations will be discretionary and made unilaterally by the Rehabilitator after the election is made by the policyholder. In granting sole discretion to Rehabilitator to unilaterally reduce benefits prevents any meaningful review of the benefits provided and the premium rate charged.

45. To this end, the staff of the Department sought clarification from SHIP regarding its If Knew Premium rate filing. To date, SHIP has failed to acknowledge and respond to any of the questions posed by the staff of the Department through the SERFF database.

46. Finally, without obtaining approval of its forms or rates, SHIP has represented in its March 1, 2022 letter that it intends to proceed with mailing the "Coverage Election Packages" to its District policyholders. At the risk of possibly having their policies cancelled, the Rehabilitator will be coercing District

policyholders to make final coverage elections under a cloud of legal risk that creates the potential for the disruption of the delivery of health and medical services. The rate increases and benefit reductions will have a binding and adverse effect on policyholders' guaranty association benefits in the event SHIP is placed into liquidation at a later date, which is very likely considering the uncertainty of Phases II and III of the Plan that will necessarily require additional rounds of rate increases and benefit reductions, and SHIP's prior track-record. To be sure, while the Plan offers only scant details regarding Phase II, the details that do exist include a prominent disclaimer and cautionary note: the "details of Phase II calculations are subject to change and refinement depending on the results of Phase I and intervening events. Policyholders who are required to pay moderately higher premiums for option four in Phase I may be required to pay materially higher premiums to preserve their coverage in Phase II."

47. For District policyholders, the risk of having their policies lapse or terminated due to an inability to pay the exorbitant premium increases is real. After 25-years or more of paying premiums, the choices offered by the Plan to the District policyholders in the form of increased premiums or reduced benefits is illusory. To compound matters, by disregarding the District's form and rate approval processes and communicating its intent to violate the unfair insurance trade practice provisions, the Plan has taken away the Department's ability to protect the District policyholders. As such, SHIP's conduct poses an immediate and substantial risk to its District policyholders, for which SHIP has left the District with no choice but to resort to the response carried out by this order.

WHEREFORE, it is so Ordered, after taking notice of the above referenced facts, which are of public record, and affording SHIP an opportunity for a hearing, that the Summary Cease and Desist Order entered on February 15, 2022 against SHIP and any of its principles, agents, employees, successors, and assigns, enjoining SHIP from implementing the Plan in the District or otherwise interfering with the rights of SHIP's District policyholders or violating the insurance laws and regulations of the District, including by mailing "Coverage Election Packages" and notifying District policyholders of proposed rate or benefit modifications it intends to use in place of the policyholders' existing rates and benefits, none of which have been authorized by the Commissioner, is adopted as permanent and superseded by this Order.

WHEREFORE, it is further Ordered that SHIP shall continue to abide by the current policy terms, benefits and premium levels for District policyholders in effect prior to February 15, 2022.

This Order does not prohibit SHIP from curing any of its form or rate filing deficiencies or from obtaining the approval thereof.

Dated: April 20, 2022

Karima M. Woods
Commissioner
Department of Insurance, Securities and Banking

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