

FOR IMMEDIATE RELEASE

**SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA  
PLACED IN REHABILITATION**

**Harrisburg, PA - February 3, 2020**

On January 29, 2020., at the request of Jessica K. Altman, Pennsylvania Insurance Commissioner (the “Commissioner”), the Commonwealth Court of Pennsylvania placed Senior Health Insurance Company of Pennsylvania (SHIP) in statutory rehabilitation and appointed the Commissioner as Rehabilitator. The Commissioner has appointed Patrick H. Cantilo as Special Deputy Rehabilitator (SDR). This action was taken with the consent of SHIP’s board of directors and of the trustees of the Senior Health Care Oversight Trust, which owns SHIP.

Commissioner Altman explained that this action was necessary to protect the interests of SHIP’s policyholders and creditors. On March 1, 2019, SHIP had filed with the Pennsylvania Insurance Department its 2018 statutory annual financial statement reflecting a surplus deficit of more than \$466 million, rendering the company statutorily insolvent as defined in 40 P.S. § 221.3. Additionally, the Company’s most recent risk-based capital (“RBC”) report indicates that its total adjusted capital is substantially below its mandatory control level RBC, thereby triggering a “mandatory control level event” as defined in 40 P.S. § 221.1-A. The Company was not able to develop a corrective action plan to remedy these conditions.

The Commissioner also noted that when that happens, insurance regulators are required to take control of an insurer for the protection of policyholders and creditors. She explained that rehabilitation is a court supervised process intended to remedy the company’s financial deterioration for the benefit of policyholders and creditors. The Rehabilitator and the SDR are charged with the protection of SHIP’s policyholders, creditors, and the public. Their actions are dictated by the laws and regulations of Pennsylvania and are subject to review by the Commonwealth Court.

Commissioner Altman, as Rehabilitator, intends to file a Rehabilitation Plan for SHIP. The Court has established a deadline of April 22, 2020, for the filing of a preliminary rehabilitation plan. For now, the Company’s business will continue as before but under the direction of Commissioner Altman as Rehabilitator and Mr. Cantilo as SDR. “At this time there will be no immediate changes to the company’s insurance policies.” She explained. But such changes may be part of any Rehabilitation Plan, she went on to clarify.

**PENDING THE REHABILITATION PLAN, CLAIMS AND BENEFITS WILL CONTINUE TO BE PAID AS THEY WERE BEFORE THIS REHABILITATION ORDER. IT IS IMPORTANT THAT POLICYHOLDERS CONTINUE TO PAY THEIR PREMIUMS WHEN THEY ARE DUE TO AVOID CANCELLATION OF THEIR POLICIES AND LOSS OF VALUABLE INSURANCE COVERAGE.**

The Rehabilitation Plan may include modification of premiums and benefits of SHIP's long-term care insurance policies. Emphasis will be placed on giving policyholders choices. Notice and details of the Rehabilitation Plan will be provided to all policyholders and interested parties and they will have an opportunity to comment upon, or object to, the proposed Rehabilitation Plan before the Court decides whether to approve, modify, or reject it.

As is typical with financially troubled insurers, there are many contributing causes to SHIP's difficulties, including poor performance of investments and other such matters the details of which are not yet fully known to the Rehabilitator. However, one key contributing factor that is common to many long-term care insurers is that the expected cost of benefits that will be due under the insurance policies in effect greatly exceeds the assets and expected revenues from which such benefits will have to be paid. Many issues contributed to this shortfall and it is too early for the Rehabilitator to be able to identify them with specificity. One that stands out, however, is that the premiums charged historically for many, if not most, of SHIP's long-term care insurance policies were inadequate for the benefits expected to be due under such policies. In this respect, SHIP is no different than much of the LTC industry.

More information is available on the Department's website <https://www.insurance.pa.gov/Regulations/LiquidationRehab/Pages/Companies-Currently-in-Rehabilitation.aspx> and on the Company's website at [www.shipltc.com](http://www.shipltc.com).

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