



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

IN THE MATTER OF:)
)
) Docket No. LH 22-13
SENIOR HEALTH INSURANCE COMPANY)
OF PENNSYLVANIA (IN REHABILITATION))
)
Respondent)

CEASE AND DESIST ORDER

The Insurance Commissioner of the State of Connecticut (hereinafter “the Commissioner”) has cause to believe that the acts, practices, transactions, and course of business engaged in by Senior Health Insurance Company of Pennsylvania (In Rehabilitation) (hereinafter “SHIP”) may be conducted in an illegal and improper way and that irreparable harm may be caused to the citizens of the State of Connecticut. As a result, the issuance of the following Cease and Desist Order appears warranted:

FINDINGS OF FACT

1. SHIP is a life and health insurance company that administers a closed block of long-term care insurance policies and is organized pursuant to the laws of the Commonwealth of Pennsylvania and has its principal place of business at 550 Congressional Boulevard, Suite 200, Carmel, Indiana 46032. SHIP is domiciled in Pennsylvania.

2. SHIP is licensed in approximately forty-six (46) states as well as the District of Columbia and the United States Virgin Islands; however, SHIP does not currently hold, nor has it ever held, an insurance license issued by the Connecticut Insurance Department (“Department”).

3. Despite not holding an insurance license issued by the Department, at present SHIP insures approximately twenty-five (25) in-force individual long-term care insurance policies that were issued in Connecticut by a predecessor of SHIP from 1990 through 1994. SHIP insures approximately fifty-seven (57) other in-force individual long-term care insurance policies for policyholders residing in Connecticut but with policies issued in other states.

4. SHIP has been insolvent since at least December 31, 2018, when it reported a deficit of approximately a half-billion dollars. On January 29, 2020, upon the application of the Insurance Commissioner of Pennsylvania (“Rehabilitator”), the Commonwealth Court of Pennsylvania, entered an Order of Rehabilitation placing SHIP into rehabilitation in accordance with the provisions of Pennsylvania law.

5. Patrick H. Cantilo (“Special Deputy Rehabilitator”) was appointed by the Rehabilitator as Special Deputy Rehabilitator of SHIP generally having the power to act on behalf of the Rehabilitator, subject to the control and direction of the Rehabilitator.

6. On April 22, 2020, the Rehabilitator filed her Application for Approval of the Plan of Rehabilitation for SHIP along with a proposed Rehabilitation Plan and subsequently filed a Second Amended Rehabilitation Plan on May 3, 2021. Such Rehabilitation Plan was approved by a Memorandum Opinion and Order of the Commonwealth Court of Pennsylvania on August 24, 2021.

7. On or about August 26, 2021, the Department received a letter from the Rehabilitator concerning information for states about opting-out of the rate approval provisions of the Rehabilitation Plan. On September 30, 2021, the Department received formal notice which indicated an “opt-out deadline” of November 15, 2021.

8. On November 15, 2021, the Commissioner forwarded correspondence to the Rehabilitator and Special Deputy Rehabilitator of SHIP that the Department would withdraw from the premium rate increase approval provision of the Rehabilitation Plan for

all of the in force long-term care insurance policies currently held by SHIP and first issued by SHIP or its predecessors in Connecticut. Such correspondence stated that any application and rate request made by SHIP must be filed with the Department pursuant to applicable Connecticut law and the Department would conduct its review and assessment of such application and premium rate request pursuant to Connecticut law.

9. On December 2, 2021, SHIP filed with the Department an Application for Rate Increases (SERFF Tr Number SHPT-133065666) (“Application”) on twenty-one (21) of the in-force individual long-term care insurance policies issued in Connecticut seeking substantial premium increases on Connecticut policyholders. Such filing was made with the Department pursuant to General Statutes § 38a-501 which requires, among other items, that an issuer shall not use or change premium rates for a long-term care policy unless the rates have been filed with and approved by the Insurance Commissioner.

10. Long-term care insurance policies must comply with the basic requirements as set forth in General Statutes § 38a-501, for individual long-term care policies, and General Statutes § 38a-528, for group long-term care policies.

11. As part of the Application, the Special Deputy Regulator stated that under the Rehabilitation Plan: “your office’s decision on the rates requested in the attached memorandum must be provided to us by February 15, 2022. If a response is not provided by this date, this filing and the requested rate increases will be deemed denied in their entirety. In accordance with the Approved Rehabilitation Plan, a filing deemed denied in its entirety will result in policyholder options being calculated and presented to policyholders for selection assuming your state has approved a 0% premium rate increase.”

12. In the Q&A portion of the Opt-out Notification sent to the Department on September 30, 2021, the Rehabilitator identified that if a state rejects part or all of the requested premium rate modifications, the Rehabilitator will adjust the affected premium rates to the amount approved by the state and depending on the option elected by the

affected policyholder, benefits under the policy may be reduced to the amount that can be funded by the approved rate on an if knew basis.

13. The Application's Actuarial Memorandum further states that if a state approves an amount less than the full requested premium rate increase, policyholders will have four options provided to them, as described in the Rehabilitation, and election notification letters will be sent to such policyholders.

14. From December 2, 2021, through February 1, 2022, the Department submitted supplemental questions to SHIP concerning its Application and SHIP submitted responses.

15. Based upon the information contained in the Application and responses to Department questions, on February 14, 2022 the Department issued a Disapproval of the Application to SHIP ("Disapproval of the Application").

16. The Disapproval of the Application was based on the following:

a. According to the actuarial memorandum included in the rate filing submitted by SHIP, current premiums vary by issue age, daily benefit, benefit period, elimination period, inflation protection, any applicable riders selected, and any applicable discounts. The rate increase requested in this filing has been prepared on a policy-level basis using an If Knew Premium rating methodology. This means that the requested rate increase is dependent on each individual policyholder's characteristics (e.g., gender, issue age) and product features (e.g., benefit period, inflation protection), without regard to a policyholder's current attained age, state of issue, state of residence, health conditions, or premium-paying status.

b. The SHIP rate filing request is prepared on a seriatim basis for each individual policyholders characteristics (e.g. gender, issue age). This methodology is in direct conflict with how the original policy form defined rating classes. As a result, the Connecticut Insurance Department (CID) requested that SHIP provide equivalent

rate increases that are not based on gender, as gender was not an original defined rating class. The response the CID received from SHIP is as follows “Our actuarial model utilizes assumptions that vary by gender. Unfortunately, at this time we cannot devote the resources necessary to provide gender-neutral rate increases.”

17. Despite the issuance of the Disapproval of the Application, SHIP has affirmatively notified the Department in the Application, through responses to Department questions on the Application, and forms of general communication that on or after February 15, 2022, it intends to proceed with transmitting election notifications to the Connecticut policyholders identified in its Application in which such policyholder will be forced to elect options identified in the Rehabilitation Plan which may include either substantial increases in premium rates or substantial reductions in benefits. Such actions are in direct violation of General Statutes § 38a-501.

18. SHIP is further in violation of Connecticut law as it is not licensed as an insurer by the Department. General Statutes § 38a-272 prohibits any person or insurer from doing, directly or indirectly, any of the acts of an insurance business, as defined in General Statutes § 38a-271, unless authorized under the general statutes. General Statutes § 38a-41 prohibits any insurers or health care center from doing any insurance business or health care business in Connecticut, except if authorized by the Insurance Commissioner.

CONCLUSIONS

The facts set forth in paragraphs 1 through 18 of the Findings of Fact herein demonstrate that SHIP is in violation of General Statutes §§ 38a-272 and 38a-41 and has further demonstrated immediate plans to violate General Statutes § 38a-501 and that the continuation of such activities would cause irreparable harm to the residents of the State of Connecticut. The public welfare, therefore, imperatively requires that SHIP, Respondent herein, be ordered to CEASE AND DESIST immediately from engaging in acts violating any provisions of Title 38a of the Connecticut General Statutes, principally from taking

any actions or transmitting any notices with the effect of reducing benefits or raising insurance rates on SHIP in-force long-term care policies issued in Connecticut, and conducting any further insurance business in Connecticut as an unlicensed entity, with the exception of continuing to administer existing Connecticut issued individual long-term care insurance policies as such insurance policies are guaranteed renewable.

Pursuant to General Statutes § 38a-17, IT IS THEREFORE ORDERED by the Insurance Commissioner:

That SHIP IMMEDIATELY CEASE AND DESIST from (1) engaging in acts in violation of any provisions of Title 38a of the Connecticut General Statutes; (2) transmitting notices identified in the Rehabilitation Plan and Application to SHIP policyholders with Connecticut issued policies the intent of which is to either elect raises to insurance premium rates or benefit reductions, or take any other action beyond those identified in the existing policies; and (3) conducting any further insurance business in the State of Connecticut as an unlicensed entity, with the exception of continuing to insure and administer existing Connecticut issued policies.

SO ORDERED this 15th day of February, 2022.



Andrew N. Mais
Insurance Commissioner

CERTIFICATION

It is hereby certified that the aforementioned was sent via certified mail, regular mail and electronically delivered on this 15th day of February, 2022 to the following:

SENIOR HEALTH INSURANCE
COMPANY OF PENNSYLVANIA
(IN REHABILITATION)

550 Congressional Blvd.

Suite 200

Carmel, IN 46032

via email: phcantilo@cb-firm.com; Rehabilitation@shipltc.com



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