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4 **STATE OF ALASKA**
5 **DEPARTMENT OF COMMERCE, COMMUNITY**
6 **AND ECONOMIC DEVELOPMENT**
7 **DIVISION OF INSURANCE**
8 **STATE OFFICE BUILDING, 9th FLOOR**
9 **333 WILLOUGHBY AVENUE**
10 **JUNEAU, ALASKA 99801**

11 **In the Matter of:**)
12)
13)
14 **Senior Health Insurance**)
15 **Company of**)
16 **Pennsylvania**)
17 **(In Rehabilitation),**)
18)
19 **Respondent.**)
20)

21 _____)
22 **Case No.: D 22-03**

23 **CEASE AND DESIST ORDER AND NOTICE OF RIGHT TO HEARING; AS 21.06.080**

24 Pursuant to Alaska Statute AS 21.06.080, the Director of the Division of Insurance hereby issues
25 this cease and desist order against Senior Health Insurance Company of Pennsylvania ("SHIP")
26 after determining based on knowledge and belief that SHIP is engaging or is about to engage in
conduct prohibited by the Alaska Insurance Code, and that immediate action is necessary to
protect the public. The predicate for this administrative action is set forth below.

1. SHIP is a Pennsylvania-domiciled life and health insurance company that became authorized to
issue long-term care insurance ("LTC") policies in Alaska as a foreign insurer beginning in 1991

STATE OF ALASKA
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DIVISION OF INSURANCE
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1 (NAIC Company Code 76325) under the name American Travellers Life Insurance Company.
2 The Certificate of Authority is currently suspended.

- 3
- 4 2. In recent years, SHIP experienced financial distress and faced the possibility of insolvency.
- 5
- 6 3. On January 29, 2020, upon the application of Jessica Altman, the Commissioner of Insurance for
7 the Commonwealth of Pennsylvania, the Commonwealth Court of Pennsylvania, in suit number 1
8 SHP 2020, entered an Order of Rehabilitation placing SHIP into rehabilitation in accordance with
9 the provisions of Pennsylvania law.
- 10 4. The Order of Rehabilitation appointed Commissioner Altman and her successors in office as
11 statutory rehabilitator of SHIP pursuant to the provisions of 40 P.S. §§ 221.14 – 221.18, and
12 required the Rehabilitator to prepare a plan of rehabilitation. Commissioner Altman appointed
13 Patrick Cantilo as Special Deputy Rehabilitator, with the power to act on the Rehabilitator’s
14 behalf.
- 15 5. SHIP currently has 20 in force policies issued in Alaska and subject to Alaska law, with the
16 average age of Alaska policyholders being 87 years old.
- 17
- 18 6. On April 22, 2020, the Rehabilitator filed her Application for Approval of the Plan of
19 Rehabilitation for SHIP and contemporaneously filed a rehabilitation plan.
- 20
- 21
- 22 7. The rehabilitation plan was approved by a Memorandum Opinion and Order of the Pennsylvania
23 Commonwealth Court on August 24, 2021, as amended on November 4, 2021.
- 24
- 25
- 26

- 1 8. State insurance regulators from Massachusetts, Maine and Washington objected to the
2 rehabilitation plan and appealed the Order Approving Rehabilitation Plan to the Pennsylvania
3 Supreme Court (Middle District), No. 71 MAP 201. Approximately, 24 state insurance regulators,
4 including the undersigned, have requested leave to support the intervening regulators as amici
5 curiae. The appeal remains pending before the Pennsylvania Supreme Court.
- 6
- 7 9. Pursuant to the rehabilitation plan Alaska policyholders will be mailed or are already receiving a
8 “coverage election package” that advises them to select one of five options that change their
9 policy terms. These options are all some combination of premium increases or benefit reductions,
10 as well as a non-forfeiture option.
- 11
- 12 10. The “coverage election package” makes no mention of the pending appeal by state regulators
13 objecting to the plan nor does the “coverage election package” explain how a possible decision
14 reversing the rehabilitation plan may affect the five options or the benefits policyholders may
15 receive.
- 16
- 17 11. The “coverage election package” advises insureds that a failure to make a timely election will
18 result in the default option of reduced benefits.
- 19
- 20 12. Pursuant to the rehabilitation plan, Alaska policyholders will be required to complete and return
21 their election forms by mid-March 2022.
- 22
- 23 13. On February 2, 2022, the rehabilitation court approved the proposed premium rate plan and
24 methodology established by rehabilitation plan that will be used by SHIP nationwide, including in
25 Alaska.
- 26 14. SHIP’s rate plan and methodology established by the rehabilitation plan and approved by the
rehabilitation court for the five premium and benefit options from which policyholders, including

1 Alaska policyholders, are to select, has not, in its entirety with the accompanying “coverage
2 election package” it intends to use, been filed with Alaska for review and approval under
3 Alaska’s form filing requirements.

- 4 15. Without complying with Alaska’s filing requirements for long-term care policies, SHIP will be
5 using insurance forms that have not been approved; and consequently, will be relying on the
6 rehabilitation court’s approval of the rehabilitation plan and SHIP’s rating plan and methodology
7 filed with the Court, rather than Alaska’s, to set benefits for Alaska policyholders.
- 8
- 9 16. Further, in addition to the pending appeal of the order approving the rehabilitation plan before the
10 Pennsylvania Supreme Court, injunctions and administrative cease and desist orders have been
11 issued against SHIP, prohibiting the rehabilitator from implementing the rehabilitation Plan, in
12 South Carolina, Louisiana, North Dakota, Washington D.C., Utah, Maryland, and Maine upon
13 findings by the insurance regulator that relief was necessary to prevent irreparable harm. In each
14 proceeding, SHIP and the Rehabilitator were named as parties.
- 15
- 16 17. In this context, the rehabilitator is requiring Alaska policyholders to make final and binding
17 coverage elections without explaining the legal risk that the pending appeal creates for the
18 disruption of the delivery of benefits, including medical services. Moreover, the rate increases
19 and reductions in benefits will have a permanent adverse effect on policyholders’ guaranty
20 association benefits in the event SHIP is placed into liquidation at a later date, which is likely
21 given the uncertainty and necessity of additional rounds of rate increases and benefit reductions
22 built into the multi-phased rehabilitation plan and SHIP’s previous track-record. Even the Special
23 Deputy Rehabilitator has conceded that restoring SHIP to solvency is unlikely.
- 24
- 25 18. Based on the foregoing predicate, there is substantial cause to believe that SHIP is transacting
26 insurance business in Alaska in a manner that is causing or is reasonably expected to cause

1 significant, imminent, and irreparable injury to Alaska policyholders, including in violation of the
2 following Alaska laws and regulations:

- 3
- 4 19. The business of insurance in Alaska is regulated pursuant to Alaska Statutes Title 21.
- 5
- 6 20. Pursuant to Alaska Statutes 21.06.080, the Director is authorized to issue a cease and desist order
7 to any person that is engaging or is about to engage in conduct prohibited by of Title 21.
- 8
- 9 21. Pursuant to Alaska Statute 21.42.120, every insurance company shall file with the Director for
10 approval the policy forms.
- 11
- 12 22. Pursuant to Alaska Statute 21.36 et seq., no person shall engage in an unfair or deceptive act or
13 practice in the business of insurance in Alaska.
- 14
- 15 23. Pursuant to Alaska Statute 21.36.030, a person may not make, issue, circulate, broadcast, or have
16 made, issued or circulated, or broadcast an estimate, circular, statement illustration, comparison,
17 assertion, or other written, electronic, or oral presentation that: (1) Misrepresents the benefits,
18 advantages, conditions, sponsorship, source or terms of an insurance policy.
- 19
- 20 24. Pursuant to Alaska Statutes 21.36.040, a person may not make, publish, disseminate, circulate, or
21 place before the public, or cause, directly or indirectly, to be made, published, disseminated,
22 circulated, or placed before the public, in a newspaper, magazine, or other publication, or in the
23 form of a notice, circular, pamphlet, letter, or poster, or over a radio or television station, or in
24 any other way, an advertisement, announcement, or statement containing an assertion,
25 representation, or statement with respect to the business of insurance or with respect to a person
26 in the conduct of the conduct of the person's insurance business, that is untrue, deceptive, or
misleading.

IT IS ORDERED

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- 2
- 3 A. That SHIP and any of its principles, agents, employees, successors, and assigns are directed to
- 4 cease and desist from implementing the rehabilitation plan in Alaska or otherwise interfering with
- 5 the rights of SHIP's Alaska policyholders or violating the insurance laws and regulations of
- 6 Alaska, including by mailing "coverage election packages" and notifying Alaska policyholders of
- 7 proposed rate or benefit modifications SHIP intends use in place of the policyholders' existing
- 8 rates and benefits, none of which has been authorized by the Director.
- 9
- 10 B. That for the duration of this cease and desist order, SHIP shall continue to abide by the current
- 11 policy terms, benefits and premium levels for Alaska policyholders in effect prior to approval of
- 12 the rehabilitation plan.
- 13
- 14 C. This Order does not prohibit SHIP from curing any of its election packet and form filing
- 15 deficiencies or from obtaining the approval thereof.

16 Dated this 7th day of March 2022.

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18 Lori Wing-Heier
19 Director

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NOTICE OF RIGHT TO REQUEST A HEARING

SHIP may contest this Order pursuant to AS 21.06.170-.220. You have 10 days after the Order is delivered to file a written demand for a hearing.

Your written request for a hearing must be directed to:

Lori Wing-Heier
Director
Alaska Division of Insurance
550 W 7th Ave, Ste 1560
Anchorage, AK 99501-3567

Dated March 7, 2022


Lori Wing-Heier
Director