



**IMPORTANT NOTICE TO POLICYHOLDERS, AGENTS, CREDITORS,  
AND PERSONS INTERESTED IN THE AFFAIRS OF  
SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA (IN REHABILITATION)**

**Table of Contents**

<b><u>Document</u></b>	<b><u>Page</u></b>
Cover Letter	2
Legal Notice	6
Frequently Asked Questions and Answers	12
Summary Description of the Proposed Rehabilitation Plan	16



Senior Health Insurance Company  
of Pennsylvania (In Rehabilitation)  
P.O. Box 64913  
St. Paul, MN 55164



**IMPORTANT NOTICE TO POLICYHOLDERS, AGENTS, CREDITORS,  
AND PERSONS INTERESTED IN THE AFFAIRS OF  
SENIOR HEALTH INSURANCE COMPANY OF PENNSYLVANIA (IN REHABILITATION)**

Month DD, CCYY

Via U.S. Mail

{String Name}  
{AddressLine1}  
{AddressLine2}  
{AddressLine3}  
{AddressLine4}  
{City}, {ResidentState} {ZipCode}

Re: Policy Number: {LTCASPolicyNumber}

Dear Policyholder:

In our February 2020 letter, we informed you that the Commonwealth Court of Pennsylvania placed Senior Health Insurance Company of Pennsylvania (In Rehabilitation) (“SHIP”) in statutory rehabilitation on January 29, 2020 at the request of the Pennsylvania Insurance Commissioner, Jessica K. Altman (the “Commissioner”). The Court appointed the Commissioner as the SHIP’s Statutory Rehabilitator, and the Commissioner appointed me as Special Deputy Rehabilitator (“SDR”). This communication provides an update regarding important events that have occurred since that time.

On April 22, 2020, the Commissioner as Rehabilitator filed a proposed Rehabilitation Plan (the “Plan” or “Rehabilitation Plan”) with the Commonwealth Court of Pennsylvania. The Rehabilitator requested the Court approve the terms, conditions, and provisions of the proposed Rehabilitation Plan, and reserved the right to amend or supplement the Plan. Further, it is possible that one or more interested parties will intervene in the proceedings before the Commonwealth Court and seek changes to the Plan. In due course, the Court may approve, disapprove, or modify and approve the proposed Rehabilitation Plan. Neither the proposed Rehabilitation Plan nor any amended Plan will be implemented unless and until it is approved by the Court.

Copies of the proposed Rehabilitation Plan can be found on the Company's website at <https://www.shipltc.com/court-documents> (the "Site"). We recommend that interested persons visit the Site regularly to be apprised of continuing developments. Any dates and requirements established by the Court relevant to the proceedings concerning the proposed Rehabilitation Plan, including any date or procedural changes, will be posted on the Site under "Court Documents." If you do not have access to a computer or the internet, you may request to obtain a hard copy of the Plan and related Court filings and orders. This process is explained below and in the enclosed Legal Notice.

Legal Notice:

The enclosed Legal Notice provides important information and instructions, requirements, dates, and deadlines regarding the proposed Rehabilitation Plan. This Notice also includes the process for obtaining a hard copy of the Plan and related Court filings. Additionally, the Notice includes information about submitting comments on the proposed Rehabilitation Plan, and requirements for participating in the court proceedings concerning the proposed Plan. Please review the enclosed Legal Notice carefully.

Plan Comments:

The following is a general overview of the procedures for providing Plan comments. The comment process is explained in more detail in the enclosed Legal Notice.

Informal Comments – Process Summary

You are invited to submit informal comments to the proposed Rehabilitation Plan by sending your comments as follows:

Patrick H. Cantilo, Special Deputy Rehabilitator  
Senior Health Insurance Company of Pennsylvania (In Rehabilitation)  
550 Congressional Blvd., Suite 200  
Carmel, IN 46032

Or by email:

[plan.comments@shipltc.com](mailto:plan.comments@shipltc.com).

We will review all comments and consider them when making our recommendations to the Commissioner in her role as the Statutory Rehabilitator regarding the proposed Rehabilitation Plan and any possible modifications, but there is no assurance that we will recommend any modifications to the Plan based on comments we receive.

### Formal Comments – Process Summary

Formal comments in support of or in objection to the proposed Rehabilitation Plan must be filed with the Court on or before September 15, 2020. Formal comments must state the facts on which the comments are based and offer any suggested modifications or alternatives to the proposed Rehabilitation Plan. Additional information on filing a formal comment is located in the enclosed Legal Notice. Formal comments must be filed directly with the Court at the following address:

Prothonotary's Office  
Michael F. Krimmel, Prothonotary  
ATTN: 1 SHP 2020  
Pennsylvania Judicial Center  
601 Commonwealth Avenue  
Suite 2100  
Harrisburg, PA 17106

Copies of your formal comments must also be provided to the Statutory Rehabilitator's Counsel and the SDR. You may email the copies to the following email addresses:

*Counsel for the Rehabilitator:*

James R. Potts, Esquire  
Cozen O'Connor  
shipcomments@cozen.com

*SDR:*

Patrick Cantilo  
service@cb-firm.com

If you cannot send an email, you must file a statement with the Court indicating your inability to send an email, and then provide copies of your comments to the Statutory Rehabilitator's Counsel and the SDR by first-class mail or overnight delivery service to the following addresses:

*Counsel for the Rehabilitator:*

James R. Potts, Esquire  
Cozen O'Connor  
One Liberty Place  
1650 Market Street, Suite 2800  
Philadelphia, PA 19103

*SDR:*

Patrick H. Cantilo  
Cantilo & Bennett L.L.P.  
11401 Century Oaks Terrace  
Suite 300  
Austin, TX 78758

### Next Steps:

We expect that after the Court reviews filed comments on the Plan and holds such other proceedings, including an evidentiary hearing, as the Court determines are appropriate, the Court will approve, disapprove or modify and approve the Plan, which may include Plan modifications sought by the Commissioner after consideration of comments received. The Plan, including any modifications, will not be implemented until it is approved by the Court.

SHIP will remain in rehabilitation until its financial condition is improved sufficiently to allow it to exit rehabilitation or the Commissioner determines and the Court agrees that further efforts at rehabilitation would substantially increase the risk of loss to creditors, policyholders or the public or would be futile and the Court places the company in liquidation.

You are not required to take any action at this time. As long as you continue to pay your premiums for coverage as the premiums become due, your insurance policy will remain in force. New and existing claims will continue to be processed as usual until a rehabilitation plan providing otherwise is approved by the Court or the Court otherwise orders.

Contact Information:

If, after reading the enclosed FAQs, you still have questions regarding this letter or the rehabilitation process, please call our Rehabilitation Inquiries phone number at 833-894-8577 between 8:00 AM and 6:00 PM Eastern Standard Time. Please note that the information contained with this Notice Package and on our Site at <https://www.shipltc.com/court-documents> includes all information available at this time. Please be aware that an increase in call volume is expected and may result in delays before your call can be answered.

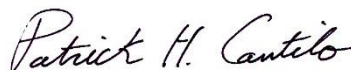
For claim or policyholder service inquiries not related to the proposed Rehabilitation Plan, please call Customer Service at 877-450-5824.

Rehabilitation Updates:

We will continue to keep you informed of important new developments about the Plan and the Court process. You are encouraged to visit our Site, <https://www.shipltc.com/court-documents>, for updated information. This Site will be updated regularly with Court documents and related rehabilitation materials. Any dates and requirements established by the Court relevant to the proceedings concerning the proposed Rehabilitation Plan will be posted at this Site under "Court Documents."

Thank you for your patience and cooperation during the rehabilitation process.

Sincerely yours,



Patrick H. Cantilo  
Special Deputy Rehabilitator

Enclosures

EXHIBIT A

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

IN RE: Senior Health Insurance :  
Company of Pennsylvania :  
In Rehabilitation : No. 1 SHP 2020

**NOTICE OF APPLICATION FOR APPROVAL OF PLAN OF  
REHABILITATION**

TO: All Interested Parties

PLEASE TAKE NOTICE that Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania, in her capacity as the statutory Rehabilitator of Senior Health Insurance Company of Pennsylvania (SHIP), has filed with the Commonwealth Court of Pennsylvania in the above-captioned matter an Application for Approval of a Plan of Rehabilitation for SHIP (Application), including the proposed Plan of Rehabilitation (Plan) attached thereto.

THE PROPOSED PLAN IS SUBJECT TO REVIEW BY THE COURT AND THE COURT'S APPROVAL, DISAPPROVAL OR MODIFICATION. NEITHER THE PROPOSED PLAN NOR ANY MODIFICATION TO THE PROPOSED PLAN WILL BE EFFECTIVE OR IMPLEMENTED UNLESS APPROVED BY THE COURT. IF APPROVED BY THE COURT, THE PROPOSED PLAN WILL AFFECT THE RIGHTS AND BENEFITS AFFORDED TO SHIP'S POLICYHOLDERS, CREDITORS AND OTHERS. ALL PERSONS WHO MAY BE INTERESTED IN THE

REHABILITATION OF SHIP SHOULD READ THE PLAN CAREFULLY AND CONSULT WITH THEIR LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS ABOUT THE PLAN DOCUMENTS.

Copies of the Application and the proposed Plan are available for viewing, downloading and/or printing at <https://www.shipltc.com/court-documents> (Site), which is also accessible under the “Rehabilitation” section of the website. The Site contains a link to all documents filed with the Court by the Rehabilitator in portable document format (PDF).

If any person receiving this Notice does not have access to a computer or is otherwise unable to view, download or print the Application, the proposed Plan or other court documents at the Site, they may be placed on the “hard copy” service list and receive copies of all Court orders and filings by the Rehabilitator in this matter by making a written request, together with an affirmation to the Court as described below that they either do not have regular access to a computer or adequate device or are unable to view, download or print the applicable documents. Requests for placement on the “hard copy” service list should be made by writing to the following address: Senior Health Insurance Company of Pennsylvania (In Rehabilitation), Attention: Rehabilitation Administrator, 550 Congressional Boulevard, Suite 200, Carmel, IN 46032; or by facsimile to the attention of Senior Health Insurance Company of Pennsylvania (In Rehabilitation), Attention: Rehabilitation Administrator, at the following number: (317) 566-7588; or by email to [rehabilitation@shipltc.com](mailto:rehabilitation@shipltc.com). The request should be signed and contain the following statement:

***In making this request, I hereby affirm to the Commonwealth Court of Pennsylvania that I do not have regular access to a computer or other device providing me internet access to the***



***Site or I am otherwise unable to view, download or print documents from the Site related to this matter.***

The Court will conduct a pre-hearing conference on the proposed Plan of Rehabilitation on October 20, 2020 at 10:00 a.m. in Courtroom 3002 in the Pennsylvania Judicial Center, 601 Commonwealth Avenue, Harrisburg, Pennsylvania, or by telephonic or other means established by the Court and posted to the Site. The hearing to consider approval of the proposed Plan of Rehabilitation will be scheduled by the Court by separate order.

Informal Comments in support of or in objection to the proposed Plan of Rehabilitation may be sent to Patrick H. Cantilo, Special Deputy Rehabilitator, at the following address: Senior Health Insurance Company of Pennsylvania (In Rehabilitation), 550 Congressional Blvd., Suite 200, Carmel, IN 46032; or by email to: [plan.comments@shipltc.com](mailto:plan.comments@shipltc.com).

Formal Comments in support of or objecting to the proposed Plan of Rehabilitation shall be filed with the Court on or before September 15, 2020. Formal Comments shall be identified at the top of the document as being filed in “In re: Senior Health Insurance Company of Pennsylvania (In Rehabilitation), No. 1 SHP 2020.” Formal Comments shall state with specificity the facts on which the comments are based and any suggested modifications to the proposed Plan of Rehabilitation. A person may submit Formal Comments without participating in the hearing on the proposed Plan of Rehabilitation.

A Commenter who intends to participate in the hearing must notify the Court of that intention in his Formal Comments. Additionally, any Commenter who intends to call or cross examine witnesses or introduce exhibits at the Hearing or participate in any discovery that may be allowed by the Court must file an application with the Court to intervene in the proceeding under the Pennsylvania

Rules of Appellate Procedure on or before July 31, 2020, and must also file their Formal Comments in accordance with this Order. Any response to an application to intervene shall be filed and served on or before August 21, 2020. Any Commenter who is permitted to intervene shall file with the Court and serve on the Rehabilitator on or before September 30, 2020, (i) a narrative or other description of the substance of the direct testimony of each witness the Commenter intends to call at the Hearing and (ii) the exhibits the Commenter intends to introduce at the Hearing.

Formal Comments to the proposed Plan of Rehabilitation shall be filed with the Court at the following address:

Office of Prothonotary of the Commonwealth Court of Pennsylvania  
ATTN: 1 SHP 2020  
Pennsylvania Judicial Center  
601 Commonwealth Avenue, Suite 2100  
Harrisburg, PA 17106

Service by Commenters on the Rehabilitator shall be made by electronic delivery to the Rehabilitator's counsel and the Special Deputy Rehabilitator at the following addresses:

**Counsel**

Cozen O'Connor  
shipcomments@cozen.com

**SDR**

Patrick Cantilo  
service@cb-firm.com

A Commenter who is unable to make service on the Rehabilitator by electronic delivery may serve the Rehabilitator by first-class mail or overnight delivery service to the Rehabilitator's counsel and the Special Deputy Rehabilitator at the following physical addresses:

James R. Potts  
Cozen O'Connor  
One Liberty Place  
1650 Market Street  
Suite 2800  
Philadelphia, PA 19103

Patrick Cantilo  
Cantilo & Bennett, L.L.P.  
11401 Century Oaks Terrace  
Suite 300  
Austin, Texas 78758

Any materials served by this method must contain an affirmation to the Court that the Commenter is unable to serve the Rehabilitator by electronic delivery. Commenters who fail to comply with the requirements of this Notice shall be prohibited from submitting objections to the proposed Plan of Rehabilitation or participating in the hearing.

All other dates and requirements established by the Court relevant to the proceedings concerning the proposed Plan, including any changes to the dates and procedures set forth in this notice, will be posted to the Site and will not be delivered by mail or other means except as provided herein.

The Rehabilitator may, in her discretion, provide policyholders and other interested parties supplemental information concerning the proposed Plan and the proceedings relating thereto, including clarifications or amendments of the proposed Plan, and summaries and Questions and Answers concerning the proposed Plan and the proceedings, by mail or by posting information on the Site and by operating a call center. ALL INTERESTED PARTIES ARE ADVISED TO CHECK THE SITE FREQUENTLY FOR UPDATED INFORMATION AND DEADLINES.



---

## **FREQUENTLY ASKED QUESTIONS AND ANSWERS**

**Question 1. When will the proposed Rehabilitation Plan be implemented? When will policy modifications take effect?**

The Rehabilitation Plan (“Plan”) will not be implemented until it is approved by the Commonwealth Court of Pennsylvania (“Court”). The Court may approve, disapprove, or modify and approve the Plan. No policy modifications will be implemented prior to the Court’s approval of a Plan. Once a Plan is approved, you will be notified of the specific modification options available for your policy, if any.

**Question 2. Who do I contact with my comments about the proposed Rehabilitation Plan?**

The Legal Notice and cover letter included in this mailing advise you how to submit formal or informal comments, including those supporting or objecting to the proposed Rehabilitation Plan.

**Question 3. How can I determine the impact of the proposed Rehabilitation Plan on my policy?**

The proposed Rehabilitation Plan is found on <https://www.shipltc.com/court-documents> (the “Site”). You may also obtain a hard copy of the Plan as explained in the cover letter and in the attached Legal Notice.

It is important that you read the Plan to provide comments on the overall Plan concept. The Plan document does not include details of specific options available for, or anticipated upon individual policies. Specific policy information will not be available until after the Court has approved the Plan. However, the Rehabilitation Plan document provides detailed explanations of how options offered to policyholders under the Rehabilitation Plan would affect specific policies and includes some illustrative sample policies demonstrating the effect of options under the Plan.

As a reminder, your current policy provisions, coverage, and premiums remain the same. As explained in the proposed Plan, premiums and coverage may change when the Plan is implemented. If and when a rehabilitation plan is approved, you will be informed in advance about how your policy will be affected.

**Question 4. Is there a summary description of the proposed Rehabilitation Plan available for my review?**

Yes. A summary description of the Plan is included in the proposed Rehabilitation Plan on pages 6 through 8. A copy of that summary is included in this Notice Packet.

**Question 5. Is my coverage changing? Is my premium increasing?**

At this time, your policy provisions, coverage, and premiums remain the same. As explained in the proposed Rehabilitation Plan, premiums and coverage may change if and when the Plan is implemented. Once a Rehabilitation Plan is approved, you will be informed in advance about how your policy coverage and premium will be impacted, including options to elect the changes to be made to your policy and the default option.

Please note that a few states authorized premium rate increases prior to January 29, 2020 when the Company was ordered into Rehabilitation. These rate increases are not a part of the proposed Rehabilitation Plan. If your policy is subject to one of these rate increases, you will receive a written notice about the premium rate increase, including available options to help offset the increase. If applicable, you will receive such notice before your next premium payment is due, as your policy requires based on state regulations.

**Question 6. What happens if I decide to stop paying my premiums?**

You must continue to pay your policy premium, when due, to continue the coverage provided by your policy. If you stop paying premium, your policy will lapse. If your policy lapses, you will lose your long-term care insurance protection. After your policy lapses, it will be subject to the reinstatement provisions in your policy.

**Question 7. How does the proposed Rehabilitation Plan affect current pending or open claims?**

Claims for policy benefits will continue to be processed and paid in the normal course of business while the proposed Rehabilitation Plan is being considered by the Court. No policy changes will be implemented prior to the Court's approval of the Plan. If and when a Rehabilitation Plan is approved, you will be provided more specific information about how your policy will be affected.

**Question 8. Have any other rehabilitation alternatives been considered?**

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

**Question 9. Who can I call for more information?**

Rehabilitation information is posted in the rehabilitation section of our Site at <https://www.shipltc.com/court-documents>.

**For rehabilitation related information:**

- **Policyholders** may call 833-894-8577
- **Agents and Brokers** may call 877-956-7447
- **Vendors** may call 855-871-9330

Please be aware that we expect an increase in call volume and there may be delays in responding to some calls. We apologize in advance for any such inconvenience. For claim or policyholder service inquiries not related to rehabilitation, please call 877-450-5824.

**Question 10. What can I do if I don't have access to a computer or the internet?**

If you do not have access to a computer where you can view the documents, you can request to be placed on a mailing list to receive hard copies of Court orders and filings.

This request must meet the following requirements:

- 1) The request must be submitted in writing and sent to SHIP by mail, fax, or email as follows:
  - a. **Mail** to Senior Health Insurance Company of Pennsylvania (In Rehabilitation), Attention: Rehabilitation Administrator, 550 Congressional Boulevard, Suite 200, Carmel, IN 46032, **or**
  - b. **Fax** to Senior Health Insurance Company of Pennsylvania (In Rehabilitation), Attention: Rehabilitation Administrator, at the following number: 317-566-7588, **or**
  - c. **Email** to [rehabilitation@shipltc.com](mailto:rehabilitation@shipltc.com).

- 2) The written request should be signed and contain the following statement:  
*In making this request, I hereby affirm to the Commonwealth Court of Pennsylvania that I do not have regular access to a computer or other device providing me internet access to the Site or I am otherwise unable to view, download or print documents from the Site related to this matter.*

**Question 11. Is there a possibility that the Company will be liquidated?**

Yes, liquidation is possible. The Commonwealth Court of Pennsylvania could decide at some time in the future to place SHIP into liquidation.

**Question 12. What would happen if the Company was liquidated?**

In the event that SHIP would be 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. SHIP has not been found by the court to be insolvent and has not been placed in liquidation. Therefore, no guaranty association is responsible for SHIP's policy obligations at this time. That will change if SHIP is placed in liquidation.

All states other than New Jersey cap the amount of guaranty association coverage available for their residents. It is also likely, based on past experience, that the guaranty associations if triggered in a liquidation of SHIP would raise the insurance rates policyholders are required to pay and offer policy modification options in lieu of rate increases. For information about state guaranty associations, please visit [www.nolhga.org](http://www.nolhga.org).

**Question 13. My policy was issued by a different Company. How is it affected?**

Over the years, SHIP and its predecessors reinsured certain long-term care insurance policies issued originally by American Health & Life Insurance Company, Primerica, and Transamerica or predecessors of those companies. At this time, they will continue to be treated as if they had been issued by SHIP and are addressed in the proposed Rehabilitation Plan that was filed with the Court.



## SUMMARY DESCRIPTION OF THE PLAN

The following description of the Plan is intended to provide policyholders the basic information required for them to make the required election(s) if the Plan is implemented as proposed. To that extent, it should also enable policyholders to decide what if any comments or formal objections they may offer in response to the request for approval of the Plan. Much more detail about the Plan and related matters is provided in the sections that follow.

### 1. GOAL AND PHASES OF THE PLAN

Recognizing that SHIP faces a substantial Funding Gap (described on page 72), 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 45,000 policies in force as of the filing of the Plan. Although the Plan has certain default provisions that apply when policyholders fail to make effective choices, it is structured to maximize policyholder choice, based on each person's individual circumstances and preferences. In structuring the Plan, the Rehabilitator recognizes that many policyholders have costly policies that provide far more coverage than the policyholders are reasonably likely to require. Accordingly, a key element of the Plan is to enable policyholders to remove coverages that are not essential or even necessary, thereby helping to narrow the Funding Gap and potentially reducing their own premium, or at least avoiding part or all of a necessary premium rate increase.

The Plan is designed to operate in three phases. Phase One, commencing immediately following final approval, is the principal phase and will strive to reduce substantially or eliminate the Funding Gap. In this phase it will be determined which policies require modification because their Current Premium is below the "***If Knew Premium***" for the benefits offered by the policy. The If Knew Premium is a widely accepted methodology for setting premiums for LTCI policies, more fully explained at page 16. Policyholders with Current Premium (see page 92) below the If Knew Premium will have to increase their premiums or reduce their benefits so that the premium will be adequate on an If Knew Premium basis. Policyholders whose Current Premium is at or above the If Knew Premium will not be required to modify their policies (increase their premiums or reduce their benefits) but may choose to make some such modifications if they prefer to do so, as explained below.

In Phase Two, the results of Phase One will be evaluated and additional Policy Modifications may be necessary for certain policies. Modifications in Phase Two will be based on self-sustaining Premiums as explained at page 16. The goal of Phase Two will be to eliminate any Funding Gap not eliminated in Phase One. Only policies whose premiums are not already Self-sustaining, which are not ***Fully Covered*** (*i.e.*, they are not within the limits of, or otherwise not covered by, the applicable Guaranty Association - see page 93), and which have not selected Option Two or Option Three (described below) in Phase One, may be modified in Phase Two.

In Phase Three, the Company will complete the run-off of the LTCI business in force. If there are sufficient funds to do so, in Phase Three the Plan will also provide additional benefits to policyholders and make payments to unpaid creditors.

## 2. POLICYHOLDER ELECTIONS

This section describes the key elements of these policyholder options. They are described in full detail beginning on page 12. In Phase One every policyholder whose Current Premium is below the If Knew Premium for the policy's benefits will be required to elect one of four options. Those whose Current Premium is at or above the If Knew Premium may keep their current policies without premium increases or may elect Option Two or Option Three, described below.

- a. Option One will be to continue paying the Current Premium but (if it is less than the If Knew Premium) have benefits reduced so that the premium for the reduced benefits on an If Knew Premium basis is equal to the Current Premium. The benefit reductions will be selected automatically by the Plan.
- b. Option Two will be to select certain policy endorsements that in most cases provide greater benefits than Option One but at a lower premium than Option Four. This Option, of which an enhanced version will also be available, will not be subject to further rate increases or benefit reductions in Phase Two of the Plan. This Option is designed to provide reasonable coverage at reasonable premium rates.
- c. Option Three will be a ***Non-forfeiture Option*** through which the policyholder will receive a Reduced Paid-up (RPU) policy providing limited benefits but for which no future premiums will be charged. Under the Plan, this Option will include more generous benefits than the typical industry non-forfeiture option or reduced paid-up policy, most notably in that it will offer as much as a 30 month benefit period unless the current policy has a shorter benefit period. Moreover, policyholders who select this option will never have to pay additional premiums and this policy will never lapse.
- d. Option Four will be to retain the current policy benefits and pay the corresponding If Knew Premium (unless equal to or lower than the Current Premium that the policyholder is paying). For many policyholders this may require a very large increase in premiums.

Policyholders paying premium at or above the If Knew Premium may elect to make no changes (or make no election at all and leave their policies unchanged) or may elect Option Two or Three if preferable for their individual circumstances. Options One and Four would not result in any changes for such policyholders.

Before being required to make an election, each policyholder will receive information detailing the premiums and benefits of each option. Special rules apply to policyholders who are not currently paying premium due to a Premium Waiver provision in their or their spouses' policies. These are explained fully beginning at page 19. Generally, such policyholders who elect Option Two or Option Four and whose Current Premium (the premium they would be paying but for the waiver) is lower than the If Knew Premium, will be required to pay a Differential Premium. The Differential Premium consists of the difference between (1) the premium they would be paying if there were not a waiver in effect (the Current Premium), and (2) the If Knew Premium

corresponding to the policy. See Section II.E.6, page 18. If the Premium Waiver terminates, such policyholders will be required to pay the full applicable If Knew Premium (or Self-sustaining Premium if in Phase Two). Substantially the same options will be offered to policyholders on claim.

Every policyholder will be offered at least one option in Phase One that will provide him or her potential benefits equal to the applicable Guaranty Association limits but no more than the current policy benefits. For every policyholder Option Two will do that and for many policyholders other options will do that as well. In that respect, the Plan is designed to place policyholders in no worse a position than they would face in a liquidation of SHIP.

For every policyholder whose Current Premium is below the If Knew Premium, there will be a Default Option that will be identified in the election materials (and is illustrated on page 53). In general, the Default Option will be Option One (the downgrade) for policyholders on Premium Waiver. However, if the Non-forfeiture Option (NFO) would provide these policyholders better benefits than the downgrade, the NFO will be the Default Option. For policyholders who are paying premium, Option Two (the Basic Policy Endorsements - see Section III.A.2.d, page 36) will be the Default Option. The Default Option will apply if the policyholder fails to make an election by the applicable deadline or submits an election form that does not clearly identify the policyholder's election (for example because two or more options is elected). For a policyholder whose Current Premium is equal to, or higher than, the If Knew Premium, no Default Option will apply and no changes will be made to the policy unless specifically elected, even if the policyholder does not submit a proper completed election form. The Rehabilitator believes that there are a substantial number of policyholders in these circumstances.

Similar options as those offered in Phase One will be offered to policyholders in Phase Two of the Plan, but the premium modification will be based on attaining Self-sustaining Premiums. It is important to note that policyholders who elect Option One or Option Four in Phase One, and whose policies after Phase One are not Self-sustaining or Fully Covered (*i.e.*, within Guaranty Association limits), may face additional premium rate increases or benefit reductions (sometimes substantial) in Phase Two. Policyholders who elect Option Two or Option Three will NOT face additional rate increases or benefit reductions in Phase Two of the Plan. In addition, policyholders who select Option Three will never pay any more premiums.