In the Commonwealth Court of Pennsylvania

IN RE: Senior Health Insurance Co. of Pennsylvania IN Rehabilitation

No. 1 SHP 2020

June 10, 2021

POST-HEARING MEMORANDA from LAPINSKIS

RECEIVED COMMONWEALTH COURT PENNSYLVANIA 2021 JUN 1[illegible] AM 10:48

In response to Hon. Judge M.H. Leavitt's Order of May 24, 2021, James Lapinski and Patricia Lapinski, policyholders of Long Term Care (LTC) Insurance since 1996, file this. We recommend the Court DENY the SHIP Rehabilitation Plan after 17 Months study costing millions of dollars from policyholders. If not denied, the Court should ORDER SHIP to provide Covid 19 data from the CDC, Johns Hopkins University (JHU) etc., not false data in the Plan. Pages 5, 6, 7 herein make recommendations to clarify and simplify the Plan to make it easier for Policyholders to understand & decide. Per Lapinski's 5-21-2021 testimony "Policy Restructuring" must be dropped & the false Balance Sheet 12-31-2020 Redone.

I. The expanded Covid 19 section is unsatisfactory with many irrelevant paragraphs, incomplete outdated data, and false conclusions.

Amazingly it excludes results of the Society of Actuaries April to September 2020 study except possibly the erroneous first paragraph, page 18, which is false. Lapinskis in their Court filings from July 2020 repeatedly motioned the Court to order an updated study by the Society of Actuaries. Again this is necessary now to learn current seniors mortality, claims, lapses, etc.

The new Covid 19 section repeatedly falsely states "... not expected to be material to the Plan." at the end of each paragraph headed "CASE MANAGEMENT", "MORTALITY AND MORBIDITY", "SUSPENSION OF PREMIUM PAYMENTS," but there is absolutely no data in these pages 18 and 19 to support these non-materiality false statements, nor elsewhere in the latest Plan

The falsehoods, distortions, insufficient data on pages 16 to 19 and elsewhere in the Second Rehabilitation Plan must be corrected. Primarily the Court should ORDER SHIP to file its 2019 and 2020 Statutory Financial Statements NOW -- see page 134. Otherwise the Court may approve a PLAN more than two years OUT of DATE with recent facts to the detriment of policyholders. Order SHIP to provide current virus deaths etc. from CDC, JHU.

SHIP, the Rehabilitator, and the Special Deputy Rehabilitator (SDR) illegally refuse to provide current SHIP mortality, mobidity, claims data & payments etc. Instead on pages 16 to 19 and elsewhere in the Plan, state sparse, false data from unknown sources. Therefore the Court should DENY the Plan. Liabilities of SHIP for 2020 and 2021 have materially DROPPED due to Covid 19.

II. The Plan continues to ignore a critical area of specific explanations of why, how and who is responsible for the $1,223,000,000.00 collapse of Assets in 2018 and 2019. Is any of this huge loss in net worth recoverable for SHIP policyholders?

The data in the Plan is outdated and unofficial. The Court must require SHIP to file and have 46 + States, U.S.A territories approve the statutory reports for 2019 and 2020 NOW. Meanwhile the Plan should be denied due to the negligence and secrecy by the Rehabilitator et al., and their false PLAN data, distortions.

III The Plan is too complex, open-ended and a curse, blow, disaster for 36,000 SHIP, TPM policyholders. It must be denied by the Court NOW.

Lapinskis in their filings in 2020 emphasized the first April 2020 Plan was too complex for older LTC policyholders to understand and make decisions. Instead in the late 2020 Amended Plan and Second Amended PLAN in 2021 of May 3 it is more complex and difficult to understand.

Phases 2 and 3 have unnecessarily been expanded, giving SHIP authority without Court approval to do whatever it wants to reduce benefits, increase premiums, and increase profits of its subcontractor for-profit companies, law firms. Pages 41 to 81 re Phases, page 23 describe this fraud. Pages 90, 91 descibe the SCAM to increase profits. 5

(Exhibit A)

Page 23 of the Plan gives SHIP too much authority to do whatever it wants to reduce benefits, raise again premiums for policyholders who selected Options 1 or 4. See lines 9, 10, 11, 12, 15 of page 23, herein Exhibit A. It is recommended by Lapinski that all four Options be subject to change in Phase Two rather than discriminate against Options 1 and 4 by exempting Options Two and Three.

Lapinskis further recommend that Phase 3 of the Plan be eliminated entirely. SHIP, the SDR, Rehabilitator, their staffs and attorneys have been paid millions of dollars for SHIP Rehabilitation since 2018. Phase 3 is an unnecessary financial major burden on policyholders in 2022 after four (4) years by the above. See page 81 of the Plan. Do NOT repeat the very long 12 year attempts to Rehabilitate PennTreaty!

IV. Reduce four options to three to reduce complexity, time, questions re Options 2 and three. It is very difficult to understand what these Options 2,3 mean, how they differ and pros/cons for 36,000 LTC insurance policyholders + their advisors to decide whether 2 or 3 is better for each. Reduce the number of terms in the Glossary of the Plan to make all Options etc, understandable. SHIP and Conseco et al. promote confusion, NOT clarity.

Compare Option 2, pages 47,48,49 to Option 3-NFO, pages 50,51, and compare similar sections for the other 6 Catagories. Also see page 24 for summaries of Options, and note Option Two is really two options so there is really five Options, not four. Option 3 could be eliminated entirely because there are 8,600 Non-forfeiture Option policies in SHIP already and because Options 2 and 3 are similar. OR a brand new, single Option 2/3 could be designed by the Rehabilitator, SDR, et al.

V. Eliminate "Policy Restructuring" on pages 91 and 92 because it illegally discriminates against policyholders who have paid much higher premiums for years than others. This is a policy contract illegality, and unlawful per statutes in some States. Lapinski argued this at the Hearing May 21, 2021 and in his 2021 filings.

VI. The Balance Sheet ending 12-31-2020 is false stating a huge drop in assets, mainly Bonds, etc. See Exhibit B. It should be audited by a C.P.A. firm and State Insurance Agencies. See 5-21-21 Transcript.

VII. Draft Order for Court is Exhibit C.

James Lapinski Patricia Lapinski June 10, 2021

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Enclosures: Exhibits A, B, C; Proof of Service

Exhibit A
6-10-2021

structure is unlikely to change unless the Court requires it. The following notes may aid in understanding this structure.

A. PLAN PHASES

The Plan is contemplated to occur in three phases. In ***Phase One,*** all LTC policies that are not in Non-forfeiture Option status will be evaluated and the holders of those the premiums of which are below the If Knew Premium level will be required to elect options to modify premiums or benefits, or some combination of the two. The results of this phase for the Company can vary materially depending on Policyholder Elections. They will be monitored and evaluated after Phase One becomes effective to gauge the results. In due course a decision will be made as to whether and, if so, how to implement Phase Two. ***Phase Two*** will be aimed at narrowing or eliminating any remaining deficit and its timing will depend on the results achieved in Phase One. Under the terms of the Plan, in Phase Two only policies the holders of which have not elected Option Two (Basic Policy Endorsements - see section III.A.2.d) or Option Three (Non-forfeiture Option - see Section III.A.3), that are not Self-sustaining (see definition at page 126), and which would not be Fully Covered by Guaranty Associations, will be affected. Holders of these remaining policies will again be asked to "right-size" them by modifying premiums or benefits, or a combination of the two. For that purpose, they will be offered options similar to those offered in Phase One. Depending on the results of Phase One, Phase Two may also include additional remedial measures. In ***Phase Three*** SHIP will conclude the run-off of its business in force, as modified by the Plan. In the event that funds are available, payment will be made to agents, ceding companies, policyholders, and other creditors on account of sums owed to them.

B. POLICYHOLDER CATEGORIES

1. For Plan implementation purposes, policyholders are sorted into eight main categories, four each in Phase One and in Phase Two:

    (1) Active - premium paying;
    (2) Active - <u>not</u> premium paying (further segregated between lifetime or dual Premium Waiver);
    (3) Disabled - premium paying; and
    (4) Disabled - <u>not</u> premium paying.

2. There may be some policyholders who do not fit neatly into the Plan's defined policyholder categories in each Phase, though none have yet been identified. If so, those will be addressed on an *ad hoc* basis.

C. POLICYHOLDER OPTIONS

1. In each category, policyholders whose Current Premiums are below the If Knew Premium rate for their policies will have four choices, including the ability to take a Non-forfeiture

Exhibit B, 6-10-21

Senior Health Insurance Company in Rehabilitation
Balance Sheet
($ in thousands)

	Year Ended 12/31/2020	Year Ended 12/31/2019
Assets		
Bonds	$ 1,201,083	$ 1,721,888
Preferred stock	77,608	86,271
Common stock	4,735	3,578
Mortgage loans	11,717	12,682
Cash and short term investments	46,100	46,682
Other invested assets	9,862	15,701
Receivable for securities	-	136
Total invested assets	1,351,105	1,886,938
Investment income due and accrued	9,362	12,082
Uncollected premiums	961	928
Federal income tax recoverable	1,380	2,364
Guaranty funds receivable	1,135	1,209
Reimbursement from insurance carrier	421	3,588
Transamerica receivable	5,408	-
Other	136	72
Total Assets	$ 1,369,908	$ 1,907,181
Liabilities and Capital and Surplus		
Liabilities		
Active life reserves	$ 1,047,771	$ 1,234,831
Premium deficiency reserves	762,600	636,537
Claim reserves	732,814	932,811
Premiums paid in advance	972	1,462
Interest maintenance reserve	18,457	4,746
Transamerica liability	21,073	-
Accounts payable and other liabilites	8,728	12,892
Total Liabilities	$ 2,592,415	$ 2,823,279
Capital and Surplus		
Common stock	$ 2,500	$ 2,500
Preferred capital stock	5,000	5,000
Surplus notes	50,000	50,000
Unassigned surplus	(1,280,007)	(973,598)
Total Capital and Surplus	$ (1,222,507)	$ (916,098)
Total Liabilities and Capital and Surplus	$ 1,369,908	$ 1,907,181

IN the Commonwealth Court of Pennsylvania

IN RE: SHIP IN Rehabilitation

No. 1 SHP 2020

Exhibit C
6-10-2021

~ draft ~

ORDER TO DISAPPROVE THE SECOND AMENDED SHIP PLAN AND TO LIQUIDATE SHIP

Due to the data and financial lacking for 2019 and 2020, the extreme complexity of the four policyholder options, the jargon; the great expense of the Plan, the Court orders prompt liquidation.

PROOF of (Legal) SERVICE
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Certified by James Lapinski, June 10, 2021

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