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INSURANCE - PENNSYLVANIA

In re Senior Health Insurance Company of Pennsylvania

Supreme Court of Pennsylvania - January 29, 2024 - A.3d - 2024 WL 359474

Insurance Commissioner, in her capacity as statutory rehabilitator of insolvent long-term care insurer, filed second amended application for approval of her plan to correct the conditions that caused insurer's hazardous financial condition, and various states' regulators intervened.

Following a hearing, Commissioner moved for directed verdict on a certain option under the plan, which the trial court granted. Regulators filed motion for reconsideration. The Commonwealth Court approved the plan. Regulators appealed.

The Supreme Court held that:

- Regulators lacked standing to assert policyholders' interests;
- They had standing to assert that plan superseded authority of insurance regulators in other states and violated Full Faith and Credit Clause;
- Plan did not unlawfully displace regulatory authority of other states; and
- It did not violate Full Faith and Credit Clause.

Insurance regulators challenging plan to rehabilitate long-term care insurer did not assert harm to direct interest that could be avoided through judicial resolution and thus lacked standing to assert on appeal that plan was not reasonably likely to succeed in restoring insurer to solvency, plan disregarded best financial interest of policyholders and statutory guaranty association system, failed to place policyholders in at least as good a position as liquidation, and treated policyholders in different states unequally; regulators asserted detrimental impacts on financial and personal interests of policyholders, not regulators themselves, but had disavowed acting in either a parens patriae or a representative capacity for individual policyholders.

Insurance regulators challenging plan to rehabilitate long-term care insurer had standing to assert on appeal that plan sought to set rates in states other than Pennsylvania, superseded authority of insurance regulators in other states, and violated Full Faith and Credit Clause and that provision allowing states to opt out did not cure the problems; regulators' challenges were based on their assertions that plan affected their statutory functions, duties, and responsibilities regarding setting of insurance rates within their states.

Rehabilitation plan for long-term care insurer did not unlawfully displace regulatory authority of other states by restructuring benefits and premiums to address gap between premium revenues and benefits paid, raising premiums for policyholders to preserve current coverage, or allowing policyholders to reduce their current level of coverage to avoid, or reduce, the amount of increased premiums; plan's reformation of existing contracts was legitimately designed to ameliorate financial hazard for good of all involved, regulators could elect to opt out of the plan altogether, and rehabilitator could not automatically and unilaterally raise rates within state that opted out, but was obligated to file an application with regulators.

Rehabilitation plan for long-term care insurer did not violate Full Faith and Credit Clause by restructuring benefits and premiums to address gap between premium revenues and benefits paid; regulators could elect to opt out of plan altogether, it carefully followed contours of Commonwealth's statutes governing rehabilitation of insolvent insurer and sensitively applied principles of comity with healthy regard for sovereign status of sister states, and plan provisions to ensure that assets would not be unduly depleted by payment of benefits both disproportionate to premiums paid, as well as discriminatory with respect to other policyholders, was consistent with framework and undergirding purposes of statutes of regulators' states.