

# **You may be entitled to benefits from a class action settlement because you have, or had, a long term care insurance policy.**

*A federal court authorized this notice. This is not a solicitation from a lawyer.*

- There is a class action about whether Continental Casualty Company, Valley Forge Life Insurance Company, and CNA Financial Corporation (“Defendants” or “CNA”) acted appropriately in the sale, marketing, and renewal of certain long term care insurance policies.
- CNA's records show that you are or were a long term care insurance policyholder and that you may be eligible for benefits under the proposed settlement. If you are a current policyholder, this settlement does not affect any rights under your current Policy except to the extent you choose a benefit that alters your Policy.
- Your legal rights are affected whether you act, or don't act. Read this notice carefully.

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:</b>	
<b>SUBMIT A BENEFITS FORM</b>	The only way to get certain benefits if you qualify.
<b>ASK TO BE EXCLUDED</b>	Get no benefits. The only option that allows you to sue the Defendants as part of another lawsuit over the claims resolved by this settlement.
<b>OBJECT</b>	Write to the Court about why you don't agree with the settlement.
<b>GO TO A HEARING</b>	Ask to speak in Court about the settlement.
<b>DO NOTHING</b>	Current policyholders will automatically be given a certain benefit, but anyone who lapsed their policies will not receive benefits. Give up rights to be part of any other lawsuit against the Defendants about the legal claims resolved by the settlement.

- These rights and options—and the **deadlines to exercise them**—are explained in this notice.
- The Court in charge of this case still has to decide whether to approve the settlement. Benefits under the settlement will only become available if the Court approves the settlement and the settlement becomes final. Please be patient.

**QUESTIONS? CALL 1-866-308-7610 TOLL FREE, OR VISIT [WWW.LTCCLASSACTION.COM](http://WWW.LTCCLASSACTION.COM)**

## WHAT THIS NOTICE CONTAINS

<b>BASIC INFORMATION .....</b>	<b>PAGE 3</b>
1. Why was this notice issued?	
2. What is this lawsuit about?	
3. Why is this a class action?	
4. Why is there a settlement?	
<b>WHO IS IN THE SETTLEMENT .....</b>	<b>PAGE 4</b>
5. How do I know if I am part of the settlement?	
6. Which policies are included?	
7. Are there exceptions to being included?	
8. What does it mean if I lapsed my policy?	
9. I am still not sure if I am included.	
<b>THE SETTLEMENT BENEFITS—WHAT YOU GET IF YOU QUALIFY .....</b>	<b>PAGE 4</b>
10. What does the settlement provide?	
11. What am I eligible to receive?	
12. What about future premium rate increases?	
<b>HOW TO GET BENEFITS—SUBMITTING A BENEFITS FORM .....</b>	<b>PAGE 6</b>
13. How can I get benefits?	
14. What if I do not return a valid Benefits Form?	
15. When will I get my benefits?	
16. Will my selection of benefits impact my taxes?	
17. What am I giving up to get benefits or stay in the Class?	
<b>EXCLUDING YOURSELF FROM THE SETTLEMENT .....</b>	<b>PAGE 7</b>
18. How do I get out of the settlement?	
19. If I do not exclude myself, can I sue the Defendants for the same thing later?	
20. If I exclude myself, can I get benefits from the settlement?	
21. What about the other notice I saw in California?	
<b>THE LAWYERS REPRESENTING YOU .....</b>	<b>PAGE 8</b>
22. Do I have a lawyer in this case?	
23. How will the lawyers be paid?	
<b>OBJECTING TO THE SETTLEMENT .....</b>	<b>PAGE 9</b>
24. How do I tell the Court if I do not like the settlement?	
25. What is the difference between objecting and asking to be excluded?	
<b>THE COURT’S FAIRNESS HEARING .....</b>	<b>PAGE 9</b>
26. When and where will the Court decide whether to approve the settlement?	
27. Do I have to come to the hearing?	
28. May I speak at the hearing?	
<b>IF YOU DO NOTHING .....</b>	<b>PAGE 10</b>
29. What happens if I do nothing at all?	
<b>GETTING MORE INFORMATION .....</b>	<b>PAGE 10</b>
30. How do I get more information about the settlement?	

QUESTIONS? CALL 1-866-308-7610 TOLL FREE, OR VISIT [WWW.LTCCLASSACTION.COM](http://WWW.LTCCLASSACTION.COM)

# BASIC INFORMATION

## 1. Why was this notice issued?

You have received this notice because CNA's records show that you are or were a long term care insurance policyholder of Continental Casualty Company or Valley Forge Life Insurance Company and that you may be eligible for certain benefits under a proposed settlement. A Court authorized this notice because you have a right to know about a proposed nationwide settlement of this class action with the Defendants, and about all of your options, before the Court decides whether to give "final approval" to the settlement. This notice explains the lawsuit, the settlement, your legal rights, and the benefits provided by the settlement.

Judge Philip S. Gutierrez in the United States District Court for the Central District of California is overseeing this class action. The case is known as *Shaffer v. Continental Casualty Company et al.*, Case No. CV06-2235. The people who sued are called the "Plaintiffs," and the companies they sued, Continental Casualty Company, Valley Forge Life Insurance Company, and CNA Financial Corporation, are called the "Defendants."

## 2. What is this lawsuit about?

The lawsuit stems from premium rate increases on certain long term care insurance policies issued and sold by Continental Casualty Company and Valley Forge Life Insurance Company. The Plaintiffs allege fraud and other claims in connection with the Defendants' marketing, promotion, advertising, distribution, pricing, sale, administration, and renewal of these long-term care policies. Among other things, Plaintiffs claim the Defendants offered these policies at a below-market rate when they knew or should have known they would have to increase premium rates in the future.

The Defendants deny any wrongdoing and assert that they complied with all laws concerning these policies, including laws requiring government approval of premium rate increases. The Defendants also say they appropriately priced the policies and advised policyholders in their policies that premium rates could be raised.

## 3. Why is this a class action?

In a class action, one or more people called "Class Representatives" sue on behalf of people who the court determines have similar claims. All these people are a "Class" or "Class members." One court resolves the issues for all Class members, except for those who exclude themselves from the Class.

## 4. Why is there a settlement?

This lawsuit was "certified" as a class action involving only certain LTC policy forms sold in California and was scheduled to go to trial. However, just prior to trial, both sides agreed to a nationwide settlement to avoid the cost and risk of a trial. The Court has not decided in favor of the Plaintiffs or the Defendants. The proposed settlement does not mean that the Defendants have done anything wrong, or that Plaintiffs and the Class would win their case if it were to go to trial.

## WHO IS IN THE SETTLEMENT

To see if you are eligible for benefits from this settlement, you first have to determine if you are a Class member.

### 5. How do I know if I am part of the settlement?

The Class includes anyone who has or had in-force a long term care insurance policy purchased from Continental Casualty Company or Valley Forge Life Insurance Company that is included within the settlement.

### 6. Which policies are included?

The settlement includes individual Premier, Classic, Preferred Advantage, Preferred Advantage Tax-Qualified (“TQ”) and Classic TQ Long-Term Care Policy forms numbered P1-18215, P1-18876, P0-18876, P1-21295, P1-21300, P1-21305, P0-21295, P0-21300, P0-21305, P1-N0022, P1-N0023, P1-N0026, P1-N0027, P1-N0030, P1-N0031, P1-N0034, P1-N0035, P1-N0066, P1-N0070, P0-N0022, P0-N0023, P0-N0026, P0-N0027, P0-N0030, and P0-N0034 purchased from Continental Casualty Company or Valley Forge Life Insurance Company.

### 7. Are there exceptions to being included?

The Class does *not* include anyone who (i) lapsed their policy before receiving notice of a premium rate increase; (ii) received claim payments under their policies before the settlement becomes final; (iii) lapsed their policies within 120 days following a rate increase of less than 50% where the total increase, when combined with all past increases, was less than the contingent nonforfeiture (“CNF”) threshold percentage specified in the [Settlement Agreement](#) (available at [www.LTCclassaction.com](http://www.LTCclassaction.com)) for that person's issue age; (iv) owned policy forms numbered P0-N0023, P0-N0027, P1-N0023, P1-N0027, P1-N0031, and P1-N0035 but lapsed or cancelled their policy before the settlement becomes final; or (v) is deceased as of the date the settlement becomes final.

### 8. What does it mean if I lapsed my policy?

“Lapsed” means you did not pay the premiums for your Policy when they came due or during any grace period for late payment provided in your Policy.

### 9. I am still not sure if I am included.

If you received this Notice, Defendants believe you are likely part of the settlement.

## THE SETTLEMENT BENEFITS—WHAT YOU GET IF YOU QUALIFY

### 10. What does the settlement provide?

If you are a Class member, the settlement provides different benefit options, depending on whether your Policy is currently in force or was lapsed. See Question 11 for more details on the benefits.

## 11. What am I eligible to receive?

The letter you received with this notice states which group you were in as of February 1, 2008. The Class is made up of three groups: (1) **In-Force Policy** - you currently have a long term care policy and you have not reduced your benefits after receiving notice of a premium rate increase or you only gave up an inflation rider on your policy; (2) **Reduced Benefits Policies** - you currently have a long term care policy but reduced your benefit levels (at least in part, without a return of premium) after a notice of a premium rate increase; and (3) **Lapsed Policy** – you lapsed or cancelled your long term care policy due to a premium rate increase within 120 days of notice of such increase.

See the table below to determine which benefit options are available for your group.

WHAT GROUP ARE YOU IN?	BENEFITS					
	Enhanced Contingent Nonforfeiture Benefit	Tax Qualified Policy Replacement	Restored Policy Benefit	Reduced Paid Up Benefit	Lapsed Policy Paid Up Benefit	Life Line Screening
In-Force Policy	✓	✓*		✓		✓**
Reduced Benefits Policy	✓	✓*	✓	✓		✓**
Lapsed Policy					✓	

\*This benefit is only available if you do not already have a Tax-Qualified Policy.

\*\*Life Line Screening is only available if you are eligible for and choose one of the following benefits: Enhanced Contingent Nonforfeiture, Tax-Qualified Policy Replacement, or Restored Policy.

The different benefits are described below. More information is in a document called the [Settlement Agreement](#), which is available at [www.LTCclassaction.com](http://www.LTCclassaction.com). Please call 1-866-308-7610 if you have any questions about these benefits. Sample policy riders that provide descriptions of the benefits listed below along with sample illustrations showing how they work are also available at the website or by calling the toll-free number.

1. **Enhanced Contingent Nonforfeiture Benefit:** If you select this benefit, you will keep your Policy and have an Enhanced Contingent Nonforfeiture Benefit added at no cost. "Contingent nonforfeiture" means that if, after the settlement becomes final, CNA increases premiums beyond a specific percentage, you can choose to either reduce your benefits, or stop paying premiums and keep a reduced level of coverage. If you choose to stop paying premiums at this point, you would maintain coverage valued at 110% of the premiums paid. This means CNA would process your claims under the terms of your Policy, except that the total amount of benefit you could receive would be limited to 110% of premiums paid. If you select this benefit, you may also choose to receive a Life Line Screening.
2. **Tax-Qualified Policy Replacement:** If you own a policy form numbered P1-18215, P1-18876, P0-18876, P1-21295, P1-21300, P1-21305, P0-21295, P0-21300, or P0-21305 (find your policy form number in the letter with this notice), you may replace your Policy for a Tax-Qualified Policy form approved for use in your State which is the most similar in terms to your Policy form. Policy provisions will differ and for certain policyholders, premium rates may be lower than under your current policies. CNA will decide

**QUESTIONS? CALL 1-866-308-7610 TOLL FREE, OR VISIT [WWW.LTCCLASSACTION.COM](http://WWW.LTCCLASSACTION.COM)**

which Tax-Qualified Policy form is most similar in terms to your Policy form. If you select this benefit, you will receive a quote for the Tax-Qualified Policy after the settlement becomes final. You will then have 30 days to decide whether you want to keep the Tax-Qualified Policy. If you decide you do not want to, you will keep your current Policy and have an Enhanced Contingent Nonforfeiture Benefit added to the Policy at no cost. If you select this benefit, you may also choose to receive a Life Line Screening.

3. **Restored Policy Benefit:** If you select this benefit, you may choose to restore your past Policy benefits if you pass CNA's medical underwriting review. You will not be charged for this review, and you will not have to pay any past premiums owed for this restored Policy. You will have to pay the increased premiums for the restored Policy beginning on the date you pass the review. If you do not pass the review, you will keep your current Policy and have an Enhanced Contingent Nonforfeiture Benefit added to your Policy at no cost. Please note that you cannot restore an inflation rider. If you select this benefit, you may also choose to receive a Life Line Screening.
4. **Reduced Paid Up Benefit:** You may give up your current Policy but retain a reduced level of coverage. The reduced coverage you would maintain would be valued at 30% of the premiums you have paid at the time the settlement becomes final. This means that CNA would process your claims under the terms of your Policy, except the total amount of benefit you could receive would be limited to 30% of premiums paid. This benefit is not available if you own a policy form numbered P0-N0023, P0-N0027, P1-N0023, P1-N0027, P1-N0031, or P1-N0035 because these policies already include a similar benefit. If you choose this benefit, then you are not eligible to receive a Life Line Screening.
5. **Lapsed Policy Paid Up Benefit:** If you already lapsed or cancelled your policy due to a premium rate increase, you can choose to have your Policy partially restored with no further premiums required. However, the coverage you would maintain would be limited to 100% of the premiums you paid. This means that CNA would process claims you might have under the terms of your lapsed Policy, except the total amount of benefit you could receive would be limited to 100% of premiums you paid.
6. **Life Line Screening:** If you are eligible for, and choose, options (1), (2), or (3) above, then you may also opt to receive Life Line Screening's Vascular Package, subject to Life Line's guidelines. This package includes Stroke Screening, Abdominal Aortic Aneurysm Screening, and Peripheral Arterial Disease Screening which is described in more detail at [www.lifelinescreening.com](http://www.lifelinescreening.com). You will have one year to complete the screening.

## 12. What about future premium rate increases?

If CNA files for and implements premium rate increases, it will notify you 90 days before the regularly scheduled billing of any rate increase that affects you. As part of the settlement, Class members acknowledge that CNA may increase premium rates in accordance with the terms of their policies.

## HOW TO GET BENEFITS—SUBMITTING A BENEFITS FORM

### 13. How can I get benefits?

To ask for benefits, you must complete and submit the attached Benefits Form. You can also request another copy of the Benefits Form at [www.LTCclassaction.com](http://www.LTCclassaction.com). The Benefits Form describes what you must do to receive benefit(s). Please read the instructions carefully, fill out the Benefits Form, and mail it postmarked no later than, **April 5, 2008** to:

LTC Benefits  
PO Box 2002  
Chanhassen, MN 55317-2002

**QUESTIONS? CALL 1-866-308-7610 TOLL FREE, OR VISIT [WWW.LTCCLASSACTION.COM](http://www.LTCCLASSACTION.COM)**

If you return a valid Benefits Form, you will receive further information describing your particular benefits after the settlement becomes final.

#### **14. What if I do not return a valid Benefits Form?**

If you are a Class member with a current policy (i.e., your Policy is not lapsed) and you do not submit a valid Benefits Form, you will automatically receive an Enhanced Contingent Nonforfeiture Benefit (see Question 11). But if you want to receive a policy rider that provides a description of this benefit after the settlement becomes final, you must submit a valid Benefits Form. Either way, CNA will advise you of your rights under the Enhanced Contingent Nonforfeiture Benefit in the event of a qualifying premium rate increase. Please also note that if you lapse your Policy or otherwise change your Class member status between February 1, 2008 and the date the settlement becomes final, you may give up your right to the requested benefit.

If you are a Class member with a lapsed policy and do not submit a valid Benefits Form, including a statement that you cancelled or lapsed your policy due to a premium rate increase, you will give up any right to benefits under the settlement.

#### **15. When will I get my benefits?**

If you send in a valid Benefits Form on time (or automatically receive an Enhanced Contingent Nonforfeiture Benefit), such benefits will only be available after the Court grants “final approval” of the settlement and the settlement becomes final. If Judge Gutierrez approves the settlement after a hearing on **May 5, 2008** (see the section “The Court’s Fairness Hearing” below), there may be appeals. Resolving these appeals can take time. Please be patient.

#### **16. Will my selection of benefits impact my taxes?**

The receipt of benefits under the settlement could have tax consequences for you, depending on your personal circumstances. Neither the Plaintiffs nor the Defendants, nor any of their counsel, can provide advice concerning the tax consequences of your receipt of benefits under the settlement. You should consult with your own tax advisor regarding any federal, state, local or foreign tax consequences.

#### **17. What am I giving up to get benefits or stay in the Class?**

If the settlement becomes final, Class members will be releasing Defendants from all the claims described and identified in Section III of the [Settlement Agreement](#). This includes all claims relating to the Policies except for claims relating to bad faith denial of claims under those Policies. Neither you nor any other Class member will be able to file a lawsuit against the Defendants about the claims resolved in this case, ever again. You may review the Settlement Agreement at [www.LTCclassaction.com](http://www.LTCclassaction.com). The Settlement Agreement describes the released claims with specific descriptions, in necessarily accurate legal terminology, so read it carefully. You can talk to one of the lawyers listed in Question 22 below for free or you can, of course, talk to your own lawyer if you have questions about the released claims or what they mean.

## **EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you do not want benefits from this settlement, but you want to keep the right to sue the Defendants about the issues resolved by the settlement, then you must take steps to get out of the settlement. This is called excluding yourself from—or is sometimes referred to as “opting out” of—the Class.

## 18. How do I get out of the settlement?

To exclude yourself from the settlement, you must mail a letter saying that you want to be excluded from *Shaffer v. Continental Casualty Company*. Be sure to include the case number (No. CV06-2235), your full name, address, policy number(s) for your long-term care insurance, and signature. You must mail your request for exclusion postmarked by **April 5, 2008** to:

LTC Exclusions  
PO Box 2002  
Chanhassen, MN 55317-2002

You can't exclude yourself on the phone, by email, or at the website.

## 19. If I do not exclude myself, can I sue the Defendants for the same thing later?

No. Unless you exclude yourself, you give up any right to sue or be part of any other lawsuit against the Defendants for the claims this settlement resolves. Remember, the exclusion deadline is **April 5, 2008**.

## 20. If I exclude myself, can I get benefits from this settlement?

No. If you exclude yourself, do not submit a Benefits Form to ask for benefits.

## 21. What about the other notice I saw in California?

A statewide notice program began in May 2007 in California relating to certain long term care policy forms sold in California when this case was scheduled to go to trial. Now that there is a settlement, anyone who excluded themselves from the Class following that notice will be given an opportunity to withdraw their exclusion request and ask to participate in this settlement. However, if you already excluded yourself, and you wish to remain excluded, you do not have to exclude yourself again.

# THE LAWYERS REPRESENTING YOU

## 22. Do I have a lawyer in this case?

The Court appointed Kanner & Whiteley L.L.C. of New Orleans, Louisiana; Milstein, Adelman & Kreger LLP of Santa Monica, California; Neblett, Beard & Arsenault of Alexandria, Louisiana; and Perry Pearce Benton P.C. of Orange Beach, Alabama to represent you and other Class members as "Class Counsel." You do not have to personally pay Class Counsel. The Lead Class Counsel are Allan Kanner and Conlee Whiteley. Their telephone number is 504-524-5777. If you want to be represented by your own lawyer, and have that lawyer appear in court for you in this case, you may hire one at your own expense.

## 23. How will the lawyers be paid?

Class Counsel will ask the Court for an award of attorneys' fees and expenses of \$5 million, with \$4.5 million paid after the settlement becomes final and \$500,000 one year later. Class Counsel will also request an incentive award for each Class Representative for their efforts in representing the Class, to be paid by Class Counsel. The Defendants have agreed not to oppose the request for attorneys' fees and expenses up to those amounts. The Court may award less than this amount. The Defendants will pay the fees and expenses

the Court orders. These payments will not reduce the benefits available to eligible Class members. The Defendants will also pay the costs to administer the settlement.

## OBJECTING TO THE SETTLEMENT

You can tell the Court if you do not agree with the settlement or some part of it.

### 24. How do I tell the court if I do not like the settlement?

If you stay in the Class and you do not want the Court to approve the settlement, you must file a written objection. You must give reasons why you think the Court should not approve it. To object, send a letter saying that you object to *Shaffer v. Continental Casualty Company* and mention the case number (No. CV06-2235). Be sure to include your name, address, telephone number, your signature, the reasons why you object to the settlement, and all documents you want the Court to consider. Mail the objection to each of the three addresses below so that it is postmarked no later than **April 5, 2008**:

COURT	CLASS COUNSEL	DEFENSE COUNSEL
Clerk of the Court Roybal Federal Building 255 East Temple Street Los Angeles, CA 90012	Allan Kanner Conlee Whiteley Kanner & Whiteley L.L.C. 701 Camp Street New Orleans, LA 70130	Lisa S. Simmons Wildman, Harrold, Allen & Dixon LLP 225 West Wacker Drive Chicago, IL 60606

### 25. What is the difference between objecting and asking to be excluded?

Objecting is simply telling the Court that you don't like something about the settlement. You can object only if you stay in the Class. Excluding yourself is telling the Court that you don't want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

## THE COURT'S FAIRNESS HEARING

The Court will hold a hearing to decide whether to approve the settlement. You may attend and you may ask to speak, but you do not have to.

### 26. When and where will the Court decide whether to approve the settlement?

The Court has scheduled a Fairness Hearing at 1:30 p.m. on **May 5, 2008**, at the United States District Court for the Central District of California, Roybal Federal Building, 255 East Temple Street, Los Angeles, California in Courtroom 790. The hearing may be moved to a different date without notice, so it is a good idea to check [www.LTCclassaction.com](http://www.LTCclassaction.com) or call 1-866-308-7610 for current scheduling information. At this hearing, the Court will consider whether the settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. Judge Gutierrez may listen to people who have asked to speak about an objection (see Questions 24 and 27). The Court may also decide how much to award Class Counsel as fees for representing the Class and whether and how much to award the Class Representatives for representing the Class. At or after the hearing, the Court will decide whether to approve the settlement. We do not know how long this decision will take.

### 27. Do I have to come to the hearing?

No. Class Counsel will answer any questions that Judge Gutierrez may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you filed and mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it's not necessary.

### 28. May I speak at the hearing?

Yes. You, or an attorney you hire at your own expense, may ask the Court for permission to speak at the Fairness Hearing. To do so, you must send a letter saying that it is your "Notice of Intent to Appear in *Shaffer v. Continental Casualty Company*." Be sure to include your name, address, telephone number, and your signature. Your Notice of Intent to Appear must be postmarked no later than **April 5, 2008**, and be sent to the addresses listed in Question 24. You cannot speak at the hearing if you excluded yourself from the Class.

## IF YOU DO NOTHING

### 29. What happens if I do nothing at all?

If you are a Class member who has a current policy (i.e., your Policy is not lapsed) and you do nothing, you will automatically receive the Enhanced Contingent Nonforfeiture Benefit (see Question 11). But, if you want to receive a policy rider for this benefit, you must complete and submit a valid Benefits Form. If, however, you are a Class member with a lapsed policy and you do nothing, you will not receive benefits from this settlement. And, unless you exclude yourself, you will not be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants about the claims resolved by this settlement, ever again.

## GETTING MORE INFORMATION

### 30. How do I get more information about the settlement?

This notice summarizes the proposed settlement. More details, including details concerning the benefit options, are in the [Settlement Agreement](#). You can get a copy of the Settlement Agreement at [www.LTCclassaction.com](http://www.LTCclassaction.com). You may also call with questions to 1-866-308-7610 or write to LTC Settlement, PO Box 2002, Chanhassen, MN 55317-2002.

Also, to help you assess the settlement, you may ask to review other documents discovered during the lawsuit. You or your attorney may, at your expense, review the discovery materials produced in this lawsuit by making an appointment to visit the office of Class Counsel at Kanner & Whiteley L.L.C., 701 Camp Street, New Orleans, LA 70130. To see the discovery materials, you or your attorney will first have to sign a confidentiality agreement, which Class Counsel will provide to you.