

STIPULATION OF SETTLEMENT

IT IS HEREBY STIPULATED AND AGREED, by, between, and among Ralph Shaffer ("Shaffer"), Samuel Loeb ("Loeb"), and Susan Souveroff ("Souveroff"), and Continental Casualty Company, Valley Forge Life Insurance Company (now known as Reassure America Life Insurance Company), and CNA Financial Corp. (collectively, "Defendants" or "the Company"), through their counsel, that the lawsuit captioned Ralph Shaffer, individually and on behalf of all others similarly situated, v. Continental Casualty Company, and CNA Financial Corporation, dba CNA LTC, Case No. CVO6-2235 PSG (PJWx), pending in the United States District Court for the Central District of California, and the lawsuit captioned Loeb v. Continental Casualty Company, Civil Suit No. 509,060-B, originally filed in the First Judicial District Court, Caddo Parish, Louisiana, and then removed to the United States District Court for the Western District of Louisiana (Shreveport Division), under Civil Action No. 5:07-CV-0336, and the matters raised by those actions, are settled, compromised, and dismissed on the merits and with prejudice on the terms and conditions set forth in this Stipulation of Settlement ("Settlement Agreement" or "Agreement") and the Release set forth in this Settlement Agreement, subject to the approval of the Court.

I. INTRODUCTION

A. Background of the Actions.

(1) On or about April 26, 2006, plaintiff Ralph Shaffer ("Shaffer") brought a Class Action Complaint for Damages in the United States District Court for the Central District of California against Continental Casualty Company and CNA Financial Corporation "dba CNA LTC", individually and on behalf of all persons who purchased a Continental Casualty Company Premier/Classic Policy ("LTC") and renewed that policy between 2001 and 2005. Shaffer's

Complaint for Damages alleges violations of the California Consumer Legal Remedies Act (Cal. Civil Code, § 1750 et seq.), violations of the California Unfair Competition Act (Cal. Bus. & Prof. Code § 17200 et seq.), negligent misrepresentation, fraud (intentional misrepresentation and concealment), constructive fraud, and Financial Abuse of Elderly, in connection with the Company's marketing, promotion, advertising, distribution, pricing, sale, administration, and renewal of Premier/Classic long-term policies ("LTC policies").

(2) The Court dismissed plaintiff's claims for constructive fraud and violations of the Consumer Legal Remedies Act upon motions to dismiss and for summary judgment, respectively.

(3) On or about January 26, 2007, the Court granted plaintiff's motion to certify a class of California policyholders. It certified a class of "All individuals who purchased and/or renewed the CNA Premier/Classic LTC insurance policies in California from 1993 to 2005."

(4) On or about January 9, 2007, plaintiff Samuel Loeb ("Loeb") brought a putative class action complaint in the First Judicial District Court, Caddo Parish, Louisiana, individually and on behalf of all persons who purchased and renewed Tax Qualified Long-Term Care Policies from Continental Casualty Company and CNA Financial Corporation in Louisiana from 1997 to 1999 and renewed them between 2003 and the present and who were subject to a rate increase of 35%. Loeb's Complaint alleges negligent misrepresentation and omission, fraud (fraudulent inducement, misrepresentation, and concealment), constructive fraud, redhibition, breach of contract, and unjust enrichment in connection with Defendants' marketing, promotion, advertising, distribution, pricing, sale, and renewal of Tax Qualified LTC policies. On February 22, 2007, Defendants removed the action to the United States District Court for the Western

District of Louisiana (Shreveport Division), on two jurisdictional grounds: (i) 28 U.S.C. § 1332(a) (diversity jurisdiction); and (ii) 28 U.S.C. § 1332(d) (Class Action Fairness Act). Thereafter, Loeb moved to remand the action, and Defendants filed two motions to dismiss the alleged claims. Those motions are still pending.

(5) On February 16, 2007, counsel for Susan Souveroff sent Continental Casualty Company and CNA Financial Corporation a thirty day notice under § 1782 of the California Consumer Legal Remedies Act, § 1770 et seq., of intent to file a putative class action against them on behalf of Susan Souveroff and other policyholders "who were sold Preferred Advantage long-term care insurance policies" in California and "subsequently were sent form renewal notices informing them of premium increases for these policies."

(6) Defendants dispute Plaintiffs' claims and deny each and every allegation in these Complaints and in Souveroff's § 1782 notice and have asserted (or would assert) numerous defenses to such claims, including: (i) the Policies state on their face that premium rates could be increased and Defendants provided the notice of such increases required by the Policies; (ii) the Policy forms and premium rate increases were submitted to and approved by the insurance departments or other responsible authorities of the States where increases were implemented; (iii) Defendants disclosed all material facts regarding the Policies; (iv) Defendants had no duty to disclose the actuarial assumptions used to price the Policies; (v) Defendants priced the Policies conservatively based on past experience, trends in lapse rates over time, and other factors with the goal of *not* having to increase premiums in the future; (vi) even if Defendants could have predicted the need for future premium increases and disclosed this to policyholders, there is no evidence policyholders would have made different purchase decisions;

and (vii) policyholders were not injured by Defendants' alleged wrongdoing because they benefited from the under-priced policies and continue to pay competitive premium rates.

(7) Between September 2006 and the present, Plaintiffs' counsel conducted their own investigation and discovery in the Shaffer matter, including the review and analysis of thousands of documents produced by Defendants and gathered from Insurance Departments, took numerous depositions, retained and disclosed experts and Rule 26 reports, and briefed numerous questions of law. In addition, since September 27, 2007, Plaintiffs' counsel have conducted confirmatory discovery relating to this Agreement.

(8) The parties agree that the litigation of the merits of the Shaffer matter was hard fought and conducted at arm's length by experienced and able counsel on both sides.

B. The Settlement Discussions.

(1) Class Counsel believe the claims in the Actions, as defined below, have merit and are supported by evidence. Class Counsel, however, recognize the risks and uncertainties of prosecuting any action and the expense and length of proceedings necessary to prosecute the Actions through trial and appeals. Class Counsel is mindful of the age and circumstances of Class Members, which further argues for reasonable compromise. Class Counsel believe this proposed Settlement Agreement confers significant benefits to the Class Members. Based upon their evaluations, and as a result of lengthy and difficult arm's length negotiations with Defendants, Class Counsel are satisfied that the terms and conditions of this Settlement Agreement are fair, reasonable, adequate, and in the best interests of the Class Members.

(2) Defendants believe the Actions are completely without merit. Defendants have agreed to enter into this Settlement Agreement solely to reduce further litigation expense

and inconvenience and to remove the distraction of burdensome and protracted litigation. Defendants have denied and continue to deny each and every claim and contention alleged by Plaintiffs. They have asserted and continue to assert many defenses to such claims and have expressly denied and continue to deny any wrongdoing or legal liability arising out of the conduct alleged in the Actions. Defendants agree not to oppose plaintiffs' motion to certify a national Settlement Class only for settlement purposes and only under all of the terms and conditions of this Settlement Agreement. This Settlement Agreement shall not be construed or deemed to be evidence or an admission or concession by Defendants of any fault or liability for damages whatsoever or that any other class certification is appropriate, and Plaintiffs and Plaintiffs' Counsel acknowledge it would be a material breach of this Agreement if they seek to use this Settlement Agreement for any other purpose, except to show the reasonableness of settlement benefits. Defendants recognize, however, the risk, expense, and length of continued proceedings necessary to defend the Actions in different forums through trial and any appeals, and Defendants desire to avoid continued litigation with their valued policyholders. Defendants have determined, therefore, that it is desirable that the Actions and any future actions arising from Defendants' conduct as alleged in the Actions be settled in the manner and upon the terms and conditions set forth in this Settlement Agreement to avoid the further expense and burden of protracted litigation, to put to rest further controversy with the Class Members, and to provide the significant benefits set forth in this Agreement.

(3) Accordingly, the undersigned Parties have reached this Agreement to resolve controversies regarding the Policies issued to the Class Representatives and the putative class members, whether or not presently alleged, and Defendants have agreed not to oppose

certification of the Settlement Class defined in this Agreement solely for the purposes of effectuating this Agreement and subject to the conditions and terms of this Agreement.

II. DEFINITIONS

For purpose of this Stipulation of Settlement and the Exhibits to this Stipulation of Settlement, the following terms have the meanings specified below.

A. "Actions" means the cases or claims now pending as: (i) Shaffer v. Continental Casualty Company, Case No. CV06-2235 PSG (PJWx), in the United States District Court of the Central District of California (Western Division); (ii) Loeb v. Continental Casualty Company, Civil Action No. 5:07-CV-0336, in the United States District Court for the Western District of Louisiana (Shreveport Division); and (iii) the claims alleged by Susan Souveroff in her § 1782 30-day notice letter dated February 16, 2007 letter.

B. "Agreement" or "Settlement Agreement" or "Settlement" means this Stipulation of Settlement and the Exhibits attached to this Stipulation of Settlement, which are incorporated by reference.

C. "Class Counsel" means: (1) Kanner & Whiteley L.L.C.; (2) Milstein, Adelman & Kreger, LLP; (3) Neblett, Beard and Arsenault; and (4) Perry Pearce Benton, P.C.

D. "Class Members," "Class" or "Settlement Class" means all persons who have or had in-force an individual Premier, Classic, Preferred Advantage, Preferred Advantage TQ or Classic TQ Long-Term Care Policy 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, or P0-N0034 purchased from Continental Casualty Company or Valley Forge Life Insurance Company. Notwithstanding the foregoing, the terms "Class

Members," "Class," and "Settlement Class" do not include any of the following: (1) persons whose policies lapsed before receiving notice of a premium rate increase; (2) persons who received claim payments under their policies before the Effective Date of the Settlement; (3) persons who, as of the Settlement Date, had lapsed their Policies within 120 days following a rate increase of less than 50% where the total increase, when combined with all past increases (if any), was less than the contingent nonforfeiture ("CNF") threshold percentage specified by the NAIC Model Regulation for that person's issue age, as set forth in the chart incorporated as part of Exhibit B; (4) persons who owned Policy forms numbered P0-N0023, P0-N0027, P1-N0023, P1-N0027, P1-N0031, and P1-N0035 but lapsed or cancelled their Policies before the Effective Date of the Settlement; and (5) persons who are deceased as of the Effective Date of the Settlement.

E. "Class Members With In-Force Policies" means Class Members who, as of the Settlement Date, retained their Policies without reducing the benefit levels under such Policies after receiving notice of a premium rate increase or, if they reduced benefit levels, only relinquished inflation riders and received a premium refund (or other benefit) for doing so.

F. "Class Members Who Lapsed Due to Premium Rate Increase" means Class Members who, as of the Settlement Date, lapsed their Policies due to a premium rate increase within 120 days of notice of such premium rate increase.

G. "Class Members With Reduced Benefit Policies" means Class Members who, as of the Settlement Date, retained their Policies but reduced their benefit levels (at least in part, without a premium refund) after notice of a premium rate increase.

H. "Class Notice" or "Notice" means the Legal Notice about Long Term Care Insurance, as set forth in Sections V-VII infra, and substantially in the form as attached Exhibit

E, which will be mailed to Class Members pursuant to the Order of Preliminary Approval of Proposed Settlement, as set forth in Section X infra.

I. "Class Representatives" or "Plaintiffs" means Ralph Shaffer, Samuel Loeb, and Susan Souveroff.

J. "Company" or "Defendants" means Continental Casualty Company, Valley Forge Life Insurance Company, and CNA Financial Corporation.

K. "Complaints" means the Class Action Complaint filed in the United States District Court for the Central District of California (Western Division) on April 1, 2006 and styled Shaffer v. Continental Casualty Company, CV06-2235 PSG (PJWx) and the Class Action Petition for Damages filed in the First Judicial District Court, Caddo Parish, Louisiana on or about January 9, 2007 and styled Loeb v. Continental Casualty Company, Civil Suit No. 509,060-B, and then removed to the United States District Court for the Western District of Louisiana (Shreveport Division), Civil Action No. 5:07-CV-0336.

L. "Consolidated Amended Complaint" is the Complaint attached to this Settlement Agreement as Exhibit A, which is hereby incorporated by reference.

M. "Defendants" or "the Company" means Continental Casualty Company, Valley Forge Life Insurance Company, and CNA Financial Corporation.

N. "Defendants' Counsel" means: (1) Shon Morgan, Esq., Quinn Emanuel Urquhart Oliver & Hedges, LLP; and (2) Michael McCluggage, Esq. and Lisa Simmons, Esq., Wildman, Harrold, Allen & Dixon, LLP.

O. "Effective Date" or "Effective Date of the Settlement" means the first date by which all of the following events have occurred: (1) the Court certifies a Class for settlement purposes only; and (2) the Court enters the Order of Preliminary Approval as set forth in Section

X infra; and (3) the Court enters the Final Order as set forth in Section XII infra; and (4) the Final Order becomes Final.

P. "Final" means:

(1) If no timely appeal has been taken from the Court or from any other order by the Court in this matter and no timely motion to reconsider or similar motion has been filed before the Court, when all periods of time for any person to seek any form of appeal, reconsideration or other form of review have expired; or

(2) If any such appeal, reconsideration or other form of review is undertaken, when any such appeal, reconsideration or other form of review shall have been fully resolved, the Final Order shall have been affirmed in all respects, and the time for any further appeal, reconsideration or other form of review shall have expired.

(3) A motion for relief from judgment under Rule 54 of the Federal Rules of Civil Procedure or other collateral attack on the judgment in another lawsuit shall not be considered to be "reconsideration or other form of review" for the purposes of determining whether the Final Order in this case has become "Final." However, a motion for relief from judgment under Rule 54 filed within 30 days of the date the Court enters the Final Order shall be considered to be "reconsideration or other form or review" for the purposes of determining whether the Final Order in this case has become "Final."

Q. "Final Fairness Hearing" means the hearing before the Court at which the Court considers:

(1) Whether this Settlement Agreement, including the Exhibits to this Agreement, should be approved as fair, adequate, and reasonable;

(2) Whether a Final Order as set forth in Section XII infra should be entered;

(3) Whether the application of Class Counsel for payment of attorneys' fees, costs and expenses should be approved;

(4) Whether any application for payment of an incentive award to the Class Representatives should be approved; and,

(5) Any other matters addressed by the Court.

R. "Final Order" or "Final Order and Judgment" means the Final Order, Judgment of Dismissal with Prejudice, and Release as set forth in Section XII infra.

S. "Grandfathered Tax-Qualified Policy" means a Policy issued before January 1, 1997 and numbered P1-18215, P1-18876, P0-18876, P1-21295, P1-21300, P1-21305, P0-21295, P0-21300, or P0-21305.

T. "Lead Counsel" means Allan Kanner, Esq. and Conlee Whiteley, Esq. of Kanner & Whiteley, L.L.C, 701 Camp Street, New Orleans, Louisiana.

U. "Life Line Screenings" means Life Line Screening's Vascular Package (i.e., Stroke Screening, Abdominal Aortic Aneurysm Screening, and Peripheral Arterial Disease Screening), as described at www.lifelinescreening.com, to be exercised within one year of the Effective Date of the Settlement, subject to existing Life Line policies regarding eligibility for such Screenings and at existing Life Line Screening locations.

V. "Long-Term Care Policies" or "LTC Policies" means the long-term care insurance policies issued by Continental Casualty Company or Valley Forge Life Insurance Company that are included within the Class.

W. "Maximum Opt-Out Percentage" means 5%.

X. "Non-Tax-Qualified Policy" means a Policy issued on or after January 1, 1997 and numbered P1-18215, P1-18876, P0-18876, P1-21295, P1-21300, P1-21305, P0-21295, P0-21300, or P0-21305.

Y. "Opt-Out Claimant" means a Class Member who submits a timely and valid Opt-Out Notice before the Opt-Out Date, as specified in the Class Notice.

Z. "Opt-Out Claims" means Claims that belong to Opt-Out Claimants.

AA. "Opt-Out Date" means the date specified in the Class Notice by which Class Members must submit a valid Opt-Out Notice requesting to be excluded from Class Relief in conjunction with this Settlement.

BB. "Order of Preliminary Approval of Settlement" means the Order as set forth in Section X infra.

CC. "Owner" means any Person who is designated as an "owner" of a Policy.

DD. "Person" means an individual or entity, including corporations, unincorporated associations, business trusts, estates, partnerships, joint ventures, and governments and governmental organizations.

EE. "Plaintiffs" or "Class Representatives" means Ralph Shaffer, Samuel Loeb, and Susan Souveroff.

FF. "Policy" or "Policies" means any individual Premier, Classic, Preferred Advantage, Preferred Advantage TQ or Classic TQ Long-Term Care Policy 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, or P0-N0034 purchased from Continental Casualty Company or Valley Forge Life Insurance Company.

GG. "Preliminary Certification and Approval Date" means the date the Court enters the Order of Preliminary Approval as set forth in Section X infra.

HH. "Release" means the release and waiver as set forth in Section III of this Settlement Agreement.

II. "Released Claims" means any and all claims, actions, suits, obligations, demands, promises, liabilities, costs, expenses, and attorneys' fees (whether class, mass, collective, joint, or individual in nature), whether based on any federal or state law or a right of action, whether filed or threatened to be filed in state or federal court or in any other venue of any type, in law or in equity or otherwise, which the Plaintiffs and the Class Members or any of them ever had, now have, or can have, or shall or may hereafter have against Defendants and Releasees, including, but not limited to, any and all: (1) claims relating to the Policies; (2) claims relating to or arising out of any acts, failures to act, omissions, oral or written representations, facts, events, transactions, or occurrences set forth or alleged in the Actions or in any way related directly or indirectly to the subject matter of the Actions; (3) claims for fraud, non-disclosure, deceptive trade practices, abuse of the elderly, violation of any state or federal regulatory scheme, or other claims related to premium increases, marketing, pricing and actuarial assumptions for pricing, solicitation, application, underwriting, acceptance, sale, purchase, renewal, operation, retention, improper payment of premium, administration, replacement or suitability of any policy issued by any of the Defendants, except for claims for bad faith denial of claims; (4) claims relating to acts, omissions, facts, matters, transactions, occurrences, or oral or written statements or representations made or allegedly made in connection with or directly or indirectly relating to the Settlement Agreement or the settlement of the Actions, except nothing in this Release shall preclude any action to enforce the terms of the Settlement; and (5) claims for attorneys' fees,