

## 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

