

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT – CHANCERY DIVISION

GRANT ADAM GOODMAN,)
individually and on behalf of all)
others similarly situated,)
)
Plaintiff,) Case No. 2 CH 002221
)
v.)
)
VALLEY FORGE LIFE)
INSURANCE COMPANY,)
CONTINENTAL ASSURANCE)
COMPANY, CNA FINANCIAL)
CORPORATION,)
)
Defendants.)

**NOTICE OF A PROPOSED SETTLEMENT
OF A CLASS ACTION LAWSUIT**

This notice package and claim form relate to a proposed Settlement of a lawsuit concerning certain life insurance policies issued by Valley Forge Life Insurance Company and Continental Assurance Company (“the Company” or “Defendants”).

You or your beneficiary may be entitled to receive a benefit under the terms of the Settlement if it is approved.

***YOU HAVE NOT BEEN SUED.
PLEASE READ THIS PACKAGE CAREFULLY***

**YOU HAVE TO MAKE CERTAIN CHOICES
REGARDING THE SETTLEMENT:**

You must decide whether you wish to be part of the Settlement. If you do not want to be part of the Settlement, you must request exclusion from the Settlement Class by October 3, 2005. The procedure for requesting exclusion is described in this Notice.

THIS NOTICE PACKAGE IS ONLY A SUMMARY OF THE SETTLEMENT. THE FULL SETTLEMENT IS IN A MORE DETAILED DOCUMENT CALLED THE STIPULATION OF SETTLEMENT, WHICH IS ON FILE WITH THE CLERK OF THE COURT.

IF YOU DO NOT EXCLUDE YOURSELF FROM THE CLASS, THE SETTLEMENT (IF APPROVED) WILL AFFECT YOUR RIGHT TO START OR CONTINUE CERTAIN OTHER LAWSUITS OR PROCEEDINGS CONCERNING YOUR POLICY. IN ADDITION, YOU WILL GIVE UP OR RELEASE CERTAIN CLAIMS RELATING TO YOUR POLICY. THE CLAIMS YOU WILL RELEASE ARE DESCRIBED IN THE STIPULATION OF SETTLEMENT. THIS RELEASE CAN ALSO BE VIEWED AT: www.gsk-law.com.

IF YOU REQUEST EXCLUSION, NEITHER YOU NOR YOUR BENEFICIARY WILL BE ELIGIBLE TO RECEIVE ANY BENEFITS UNDER THE PROPOSED SETTLEMENT.

IF YOU ARE A CURRENT POLICY OWNER OF VALLEY FORGE LIFE INSURANCE COMPANY OR CONTINENTAL ASSURANCE COMPANY, THIS SETTLEMENT DOES NOT AFFECT YOUR RIGHTS UNDER THAT POLICY.

**PART 1: WHY YOU RECEIVED THIS NOTICE
AND CLAIM FORM**

You have received this Notice because you or your beneficiary may be eligible for certain benefits through the proposed Settlement of a class action lawsuit against the Company. Although the Court has not yet approved the proposed Settlement, it has directed the parties to send this Notice to you as a potential Class Member.

You should read this Notice carefully. This Notice will help you determine if you are a member of the Class, and it explains decisions you must make and actions you must take now if you are a member of the Class. Those decisions and actions will affect your legal rights and any relief you or your beneficiary may be eligible to receive under the proposed Settlement. To obtain that relief, you or your beneficiary must submit the attached Claim Form in accordance with the directions below. You should retain a copy of this Notice and Claim Form with your life insurance policy.

PART 2: DESCRIPTION OF THE LAWSUIT AND THE SETTLEMENT NEGOTIATIONS

This Action has been brought on behalf of a class of certain current and former owners of certain life insurance Policies issued by the Company between January 29, 1992 and May 20, 2004. Plaintiff alleges that the Company improperly charged premiums on these Policies for the period of time between the "Policy Dates" set forth in the Policies and the dates the Policies went into effect.

The Company disputes Plaintiff's claims and denies any wrongdoing. It contends the Policies expressly stated that the insurance would not take effect until all conditions for such insurance had been satisfied, including payment of the first premium. It further contends that since November 17, 1997, the Company has issued a "Special Notice" with each Policy, which (i) alerted policy owners that the Policy Dates and the dates on which the insurance became effective did not necessarily coincide; (ii) informed policy owners that the Policies could be re-dated; and (iii) explained that changing the Policy Date could have consequences.

To avoid the disruption of litigation, Plaintiff and the Company have agreed to settle the Action. The decision to enter into this Settlement was made with knowledge of the facts and circumstances underlying Plaintiff's claims and the strengths and weaknesses of those claims. Plaintiff's counsel engaged in substantial discovery to evaluate the Settlement and consulted with an actuarial expert concerning the merits of Plaintiff's claims and the Company's defenses. Plaintiff and Plaintiff's counsel believe the Settlement is fair, reasonable, and adequate to the Class. They reached this conclusion after considering, among other things: (i) the benefits to Plaintiff and the Class under the Settlement; (ii) the uncertainty of being able to prove the Complaint's allegations; (iii) the uncertainty of being able to overcome the Company's defenses to the merits and to class certification; (iv) the expense, disruption, and risks of litigation, especially in complex class actions such as this, and the difficulties and delays inherent in litigation; (v) the uncertainty in the theories of liability; and (vi) the desirability of providing timely relief to Plaintiff and the Class.

If the Court approves the Settlement and you do not exclude yourself from the Class, you or your beneficiary *may* be entitled to receive benefits under the terms and conditions of the Settlement. This notice package tells you (i) about the benefits you or your beneficiary may be entitled to receive under the Settlement and what must be done to receive those benefits, (ii) what to do if you do not want to participate in the Settlement, and (iii) what to do if you want to object to any part of the Settlement.

The Court has not decided whether Plaintiff's pending claims or the Company's defenses have any merit, and it will not do so if the proposed Settlement is approved. The proposed Settlement does not suggest that the Company has or has not done anything wrong, or that Plaintiff and the Class would or would not win their case if it were to go to trial.

PART 3: DESCRIPTION OF THE CLASS

Under the proposed Settlement, the Court has preliminarily certified a Class for purposes of this Settlement. This Class includes all owners of in-force and terminated Policies issued by the Company on or after January 29, 1992 through May 20, 2004 whose "Policy Dates" may have preceded the dates on which their Policies went into effect.

The Class does *not* include any person who (i) adjudicated to finality or released a claim involving the premium charged during the first policy year for a Policy whose Policy Date may have preceded the date on which the Policy went into effect, (ii) requested a particular Policy Issue Date for any reason; (iii) owned a Policy under which a death claim was paid; (iv) purchased a Policy as part of a transaction where the Company provided continuous insurance, including, without limitation, a conversion, an internal 1035 exchange, a paid up Policy under a Celebration life or similar Policy, or a Personal Security Plan policy; (v) terminated the Policy before the Company's conversion to the LifePro management system in 1994-95; (vi) made an initial premium payment with the application for the Policy; (vii) did not take the Policy; or (viii) rescinded the Policy with premiums refunded. **Your receipt of this Notice does not mean that you are a member of the Class or that you or your beneficiary are entitled to benefits under this Settlement.**

PART 4: THE SETTLEMENT BENEFITS

A. Supplemental Death Benefit.

If the Court approves the Settlement, you or your beneficiary *may* be entitled to receive a Supplemental Benefit if the "Policy Date" preceded the date on which the Policy went into effect. The Supplemental Benefit shall be an additional payment if the insured dies within 90 days after the Final Settlement Date or, in the case of a Terminated Class Member whose insured died before the Final Settlement Date, if the insured died within 90 days of the termination of the Policy. The Final Settlement Date means that date on which the Final Judgment and Order Approving Settlement becomes final.

The Company will calculate the Supplemental Benefit by multiplying the Policy Face Amount of the Class Member's Policy (excluding riders) by a specified percentage, depending on whether the Class Member (i) owned a policy that terminated without payment of a death benefit ("Terminated Class Members"); (ii) owns an in-force Policy issued before November 17, 1997, when the Company commenced issuing the "Special Notice" ("Active Pre-Special Notice Class Members"); or (iii) owns an in-force Policy issued after November 17, 1997 ("Special Notice Class Members").

For all Terminated and Special Notice Class Members, the percentage is 3.56%. For Active Pre-Special Notice Class Members, the percentage is 7.11%. For example, if an eligible Special Notice Class Member has a Policy

with a Policy Face Amount of \$250,000, then the Supplemental Benefit would be \$8,900, provided the eligibility requirements under the Settlement are satisfied and subject to the maximum and minimum provisions set forth below.

B. Eligibility Requirements.

The Company will provide a one-time, lump sum Supplemental Benefit in accordance with the terms of the Settlement if all the following conditions are met:

1. You must be a member of the Class with respect to the Policy;
2. The insured must have died, other than by suicide, within 90 days following the Final Settlement Date or, in the case of a Terminated Class Member whose insured died before the Final Settlement Date, within 90 days of the termination of the Policy;
3. The attached Claim Form (with a certified death certificate reflecting a death other than by suicide) must be submitted within 180 days of the insured's death or, in the case of a Terminated Class Member whose insured died before the Final Settlement Date, within 180 days of the Final Settlement Date;
4. A death benefit must be payable under the terms and conditions of an Active Policy or, in the case of a terminated Policy, would have been payable if the Policy had not terminated; and,
5. The Company's records relating to the Policy must not reflect that it was delivered before the Policy Date.

C. Maximum/Minimum Provisions.

With respect to any one insured, any Supplemental Benefit paid in connection with the death of that insured will be no more than \$80,000 in total, and no less than \$7,500, regardless of the number of Policies on that insured.

D. Procedure for Determining to Whom the Supplemental Benefit is Payable.

If a Supplemental Benefit becomes due in connection with an in-force Policy, then the Company will pay the Supplemental Benefit to the person designated as the beneficiary of the Policy when the Claim Form is received. If the Supplemental Benefit is due in connection with a Policy that terminated before the Final Settlement Date other than through payment of a death claim, then the Company will pay the Supplemental Benefit to either: (1) the Policy owner, if different from the insured; or (2) if not different from the insured, the current, living spouse of the Policy owner; but if none, then to the living lawful children of the Policy owner; but if none, then to the estate of the Policy owner.

PART 5: INCOME TAX CONSEQUENCES

The receipt of benefits under the Settlement could have tax consequences for you, your estate or your beneficiaries, depending on the circumstances. Neither Plaintiff nor the Company, nor any of their counsel, can provide advice concerning the tax consequences of receiving a Supplemental Benefit. You should consult with your own tax advisor regarding any federal, state, local or foreign tax consequences that could result from receiving a Supplemental Benefit under the terms of the Settlement.

PART 6: RELEASE OF CLAIMS AND DISMISSAL OF LAWSUIT

If you stay in the Settlement and the Court approves it, you will “release” or give up all the claims that have been or could have been brought in the Action. The Court will also dismiss the Action with prejudice – which means that neither you nor any other Class Member will be able to file the lawsuit again. You will not be able to assert any of the claims you have released in any current or future lawsuit or proceeding, even if such a lawsuit is already in progress.

The “Release” is a very important part of the Settlement and is reprinted word-for-word at www.gsk-law.com. Please read it carefully.

PART 7: RIGHT TO BE EXCLUDED FROM SETTLEMENT

If you do not want to participate in the Settlement, you may ask to be excluded from the Settlement Class. To request exclusion, you must send a written request to the following address: Goodman Class Action Settlement Administrator, P.O. Box 1783, Faribault, MN 55021-1783.

If you mail the request, it must be *postmarked no later than October 3, 2005*. If you use any other means of delivering the request to the address above, *it must be received at that address by no later than October 3, 2005*.

Your request must include:

- (1) Your name, address, telephone number, and the policy number(s) for the Policies requested to be excluded from the Settlement;
- (2) A statement that you want to be excluded from the Settlement; and
- (3) Your signature.

If you request exclusion from the Settlement, neither you nor your beneficiary will be eligible to receive a Supplemental Benefit under the terms of the Settlement, you will not be allowed to object to the Court about the Settlement, and you will not be bound by anything that happens in this Action in the future. If there are multiple current or former owners of a Policy, a request for exclusion from one owner will bind the other owners too.

**PART 8: THE FAIRNESS HEARING, RIGHT TO OBJECT TO
PROPOSED SETTLEMENT, AND RIGHT TO APPEAR**

A. The Fairness Hearing.

On **October 20, 2005, at 2:00 p.m. Central Time**, the Court will hold a hearing at the Circuit Court of Cook County, Illinois, County Department, Chancery Division, 50 W. Washington, Chicago, Illinois 60602, in Courtroom 2305. At this hearing, the Court will decide whether the proposed Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court will also determine whether the application for attorneys' fees and expenses should be awarded to the attorneys who represent the Class.

Please note that the Court has the right to change the hearing date or time without further notice. If you plan to attend the hearing, you should confirm the date and time before going to the Court by checking www.gsk-law.com.

You do not have to attend the hearing to get benefits under the proposed Settlement.

B. Your Right to Object and Instructions for Objecting.

If you stay in the Settlement and there is something about the Settlement that you do not like, you may file an objection with the Clerk of the Court by no later than October 3, 2005. If your objection is not received by the Clerk of the Court and the attorneys by that date, it will be deemed to have been waived and may not be considered. You will still be in the Settlement and you or your beneficiary will still be eligible to receive a Supplemental Benefit under the terms of the Settlement if it is approved.

If you want to object, you must make a written submission to the Clerk of the Court that includes:

- (1) Your name, address and telephone number;
- (2) The reasons why you object to the Settlement and any legal or evidentiary support you seek to offer in support of that objection; and
- (3) The case name and number (*Goodman v. Valley Forge Insurance Co.*, Case No. 02 CH 02221)

***THE ADDRESS AT WHICH YOU MUST FILE YOUR OBJECTION IS
AS FOLLOWS:***

Clerk of the Court
Circuit Court of Cook County, Illinois
County Department, Chancery Division
50 W. Washington, Room 802
Chicago, Illinois 60602

YOU ALSO MUST MAIL COPIES OF YOUR OBJECTION TO THE ATTORNEYS IN THE CASE:

Co-Lead Counsel for Class:

Mark S. Goldman
Goldman Scarlato & Karon P.C.
101 West Elm Street, Suite 360
Conshohocken, PA 19428

Counsel for Defendants:

Lisa Simmons
Wildman, Harrold, Allen & Dixon LLP
225 West Wacker Drive
Chicago, IL 60606

C. Your Right to Appear.

You do *not* have to attend the Court hearing to be part of the Settlement or to have the Court consider your written objection, but you may attend the hearing if you like.

Without regard to whether an attorney you hire intends to appear at the Court hearing, if you hire an attorney to represent you in connection with this Settlement, you or your attorney must file with the Clerk of the Court and serve on the attorneys in the case at the addresses listed above an Appearance. ***The Clerk of the Court and the attorneys must receive any Appearance no later than October 3, 2005.***

If you, or an attorney you hire at your own expense, want to be heard by the Court at the hearing, you or your attorney must file a ***Notice of Intention to Appear*** with the Clerk of the Court, and send that Notice to the attorneys in the case at the addresses listed above. ***The Clerk of the Court and the attorneys must receive your Notice of Intention to Appear no later than October 3, 2005.***

You or your attorney may also, at your expense, review the discovery materials produced in this Action by making an appointment to visit the office of Plaintiff's counsel. Their offices are located at Goldman Scarlato & Karon, P.C., 101 West Elm Street, Suite 360, Conshohocken, PA 19428. To see the discovery materials, you (and, if applicable, your attorney) will first have to sign a confidentiality agreement, which the attorneys will provide to you.

PART 9: CO-LEAD COUNSEL FOR THE CLASS

The Court has chosen the law firms of Goldman Scarlato & Karon, P.C. and Goodkind Labaton Rudoff & Sucharow LLP to represent the Class of policy owners covered by the Settlement. *You will not be charged for the services or expenses of any of these attorneys.* You have the right to hire your own attorney to represent you in this case, but you do not have to do that to participate in the Settlement. If you do hire an attorney, you will have to pay that attorney's fees and expenses. You also have the right to represent yourself before the Court without an attorney.

PART 10: ATTORNEYS' FEES AND EXPENSES TO CO-LEAD COUNSEL FOR THE CLASS

At the Court hearing, the attorneys chosen by the Court to represent the Class will ask the Court for an award of attorneys' fees and expenses not to exceed \$1.3 million, and the Company has agreed to pay an award of attorneys' fees and costs that does not exceed \$1.3 million. The Company will also bear the following expenses reasonably incurred: the costs to print and mail this Notice and the fees and disbursements to the Administrator and any other third party contractors or administrators, if any.

You will not be required to pay any portion of these attorneys' fees and expenses. This payment will not reduce the benefits made available to you under the proposed Settlement.

PART 11: RIGHT TO TERMINATE THE PROPOSED SETTLEMENT

Under certain circumstances, each of the parties to this Action has the right to terminate the proposed Settlement. Such circumstances include any decision of the Court or any appellate court to reject, modify or deny approval of any portion of the proposed Settlement or the Court's orders, or if certain numbers of potential Class Members elect to exclude themselves from the Class. If the proposed Settlement is terminated, neither you nor your beneficiary will be eligible to receive a Supplemental Benefit under the terms of the Settlement, and you will not be affected in any way by the parties' actions in connection with the proposed Settlement.

**PART 12: PERMANENT INJUNCTION AND EFFECT ON OTHER
LAWSUITS**

If the Settlement is approved, the Company and the Plaintiff who brought the Action will ask the Court to enter a permanent injunction enjoining all Class Members from starting, continuing or participating in, or receiving any benefits or other relief from, any other lawsuit, arbitration or other proceeding or order based on or relating to the claims, facts or circumstances in this Action or the Released Claims. All persons who do not request exclusion from the Settlement will be bound by the permanent injunction.

If you do not submit a written request to be excluded from the Settlement, postmarked or received by no later than October 3, 2005, you will be bound by all proceedings, orders, and judgments in this Action, even if you already have, or begin, your own litigation relating to the Released Claims. The Court may enforce its injunction through contempt orders or other judicial proceedings.

PART 13: HOW TO GET ADDITIONAL INFORMATION

This notice package is only a summary of the Settlement. The full terms of the Settlement are in a more detailed legal document called the Stipulation of Settlement, which is on file with the Clerk of the Court in Cook County, Illinois. For a more detailed statement of the matters involved in the Action, you also can review the complaint and the other papers and orders on file with the Clerk of the Court. You may review these documents at the Court Clerk's office at any time during normal business hours.

You can also call the Settlement Administrator at **1-800-827-9558** if you have any questions about the Settlement or the relief provided, and you can also check www.gsk-law.com to obtain the current status of these proceedings, including the Final Settlement Date, and a copy of the Release provisions in the Stipulation of Settlement, which describe the Released Claims.

**PLEASE DO NOT CALL THE COURT OR
THE CLERK OF THE COURT.**

DATED: June 14, 2005

Clerk of the Court
Circuit Court of Cook County, Illinois
County Department, Chancery Division

CLAIM FORM
FOR SUPPLEMENTAL BENEFIT

I, _____, am submitting a claim for a Supplemental Benefit under the terms of the Goodman class action settlement [please fill in blanks]:

Policy Number: <<Policy#>>

Policy Date: <<Policy date>>

Policy Owner: <<Policy Owner Name>>

Insured: <<Insured Name>>

Beneficiary: _____

Beneficiary Address:

Street Address

City

State

Zip

Beneficiary Taxpayer Identification Number (Social Security Number):

____ - ____ - _____

Date of death of insured (please attach certified death certificate):

____ / ____ / ____

My contact information is as follows:

Address: _____

Street Address

City

State

Zip

Telephone No.: (_____) _____ - _____

Relationship to Insured: _____

Signature: _____

MAIL WITH DEATH CLAIM TO:

Nashville Service Center
P.O. Box 305082
Nashville, TN 37230-5082

As set forth in Part 4(B)(2) of the Notice, this Claim Form should only be submitted if the insured dies within 90 days following the Final Settlement Date or, if being submitted for a Terminated Class Member whose insured died before the Final Settlement Date, if the insured died less than 90 days after the Policy terminated.

