

***Roy Spegele v. USAA Life Insurance Company, Case No. 5:17-cv-967-OLG
United States District Court for the Western District of Texas (San Antonio Division)***

SETTLEMENT AGREEMENT

IT IS HEREBY STIPULATED AND AGREED by, between, and among Plaintiff Roy Spegele, individually and on behalf of the Settlement Class defined below, and Defendant USAA Life Insurance Company, that the causes of action and matters raised by and related to this lawsuit, captioned *Spegele v. USAA Life Insurance Company*, Case No. 5:17-cv-967-OLG, in the United States District Court for the Western District of Texas, are hereby settled and compromised on the terms and conditions set forth in this Settlement Agreement and the releases in it, subject to approval of the Court.

This Agreement is made to fully, finally, and forever resolve, discharge, and settle the Released Claims on the terms and conditions of this Agreement.

TERMS OF AGREEMENT AND SETTLEMENT

1. Definitions

Capitalized terms in this Agreement are defined as follows:

1.1. “Action” means the lawsuit captioned *Spegele v. USAA Life Insurance Company*, Case No. 5:17-cv-967-OLG, in the United States District Court for the Western District of Texas.

1.2. “Agreement” means this Settlement Agreement.

1.3. “Claims” means all suits, claims, cross-claims, counterclaims, controversies, liabilities, demands, obligations, debts, indemnities, costs, fees, expenses, losses, liens, actions, or causes of action (however denominated), including Unknown Claims, of every nature, character, and description, whether in law, contract, statute, or equity, direct or indirect, whether known or unknown, foreseen or not foreseen, accrued or not yet accrued, or present or contingent, for any injury, damage, obligation, or loss whatsoever, including compensatory damages, statutory

liquidated damages, exemplary damages, punitive damages, losses, costs, expenses, or attorneys' fees.

1.4. "Class Counsel" means the attorneys appointed by the Court on September 23, 2020, to serve as class counsel: Stueve Siegel Hanson LLP, Miller Schirger, LLC, and Girard Sharp LLP.

1.5. "Class Counsel's Fees and Expenses" means the amount of the award approved by the Court to be paid to Class Counsel from the Settlement Fund for attorneys' fees and reimbursement of Class Counsel's costs and expenses, all as more fully set forth in Section 8.

1.6. "Class List" means the Policies identified by policy number to be filed with the Court as an exhibit to Plaintiff's motion for Final Approval of the Settlement. The Class List consists of the Policies in the Settlement Class.

1.7. "Class Notice" means the notice of the Settlement approved by the Court to be sent by the Settlement Administrator, as described in Section 4, to the persons and entities on the Notice List. The Parties will submit the Class Notice in the form attached to this Agreement as Exhibit A for the Court's approval.

1.8. "Confidential Information" means material designated as "Confidential Information" in accordance with the terms of the Protective Order entered in the Action.

1.9. "Cost of Insurance Charge," "Cost of Insurance Rate," "Administrative Charge," and "Maintenance Charge" have the meanings ascribed by the "Policy" or "Policies" (defined below).

1.10. "Court" means the United States District Court for the Western District of Texas and the Honorable Orlando L. Garcia, or any other judge assigned to the Action.

1.11. “Defendant” means USAA Life Insurance Company (“USAA Life”) and its predecessor and successor entities, but shall not include USAA Life Insurance Company of New York.

1.12. “Excluded Claims” refers to new Claims against Defendant accruing after the Final Settlement Date that challenge future increases in Defendant’s Cost of Insurance Rate scales for reasons other than worsening of Defendant’s expectations as to future mortality experience. Excluded Claims are limited to Claims for damages that could not have been recovered in the Action because a future increase in Defendant’s Cost of Insurance Rate scales has not yet taken place. Excluded Claims do not include Claims involving future increases in any portion of Defendant’s Cost of Insurance Rate scales if worsening of Defendant’s expectations as to future mortality experience is a material or primary reason for the increase. Excluded Claims also do not include year-over-year increases in Defendant’s Cost of Insurance Rates as an insured ages if those increases are contemplated by Defendant’s Cost of Insurance Rate scales in place as of the date of this Agreement.

1.13. “Fairness Hearing” means any hearing held by the Court on any motion for final approval of the Settlement for the purposes of: (i) entering the Order and Judgment; (ii) determining whether the Settlement should be approved as fair, reasonable, adequate, and in the best interests of the Settlement Class Members; (iii) ruling on an application by Class Counsel for Class Counsel’s Fees and Expenses and Plaintiff’s Service Award; or (iv) ruling on any other matters raised or considered in connection with the Settlement.

1.14. “Final Settlement Date” means the date when the Order and Judgment becomes final, which shall be the first business day after one of the following, as applicable: (i) if an appeal from the Order and Judgment is initiated, the date when the Order and Judgment has been affirmed

or the appeal dismissed and the deadline for initiating any further appeal has expired, or (ii) if no appeal is filed, the deadline for initiating an appeal from the Order and Judgment.

1.15. “Net Settlement Fund” means the Settlement Fund less Settlement Administration Expenses, Plaintiff’s Service Award, and Class Counsel’s Fees and Expenses, which shall be distributed to the Settlement Class pursuant to the distribution formulae set forth in Exhibit B.

1.16. “Notice Date” means the date when the Settlement Administrator mails the Class Notice.

1.17. “Notice List” means the individuals or entities reflected in Defendant’s records as the last known policy Owners of the Policies on the Class List.

1.18. “Order and Judgment” means the Court’s order fully and finally approving the Settlement and entering final judgment.

1.19. “Owner” means a Policy’s owner or owners, whether a person or an entity and whether in an individual or representative capacity, as indicated in Defendant’s records, except that if the Owner is deceased, the Owner shall mean the estate of the deceased Owner.

1.20. “Parties” means, collectively, Plaintiff and Defendant.

1.21. “Plaintiff” means Roy Spegele, individually and as representative of the Settlement Class.

1.22. “Plaintiff’s Service Award” means the amount of the award approved by the Court to be paid to Plaintiff from the Settlement Fund, in addition to any settlement relief he may be eligible to receive, as compensation for efforts undertaken by him on behalf of the Settlement Class.

1.23. “Policy” or “Policies” means all Universal Life 1, Universal Life 2, Universal Life 3, and Universal Life 4 insurance policies issued or administered by USAA Life or its predecessors

in interest. Policy or Policies shall include all applications, schedules, riders, and other forms specifically made a part of the Policies at the time of their issue, plus all riders and amendments issued later.

1.24. “Preliminary Approval Date” means the date when the Court enters the order granting preliminary approval and permitting notice of the proposed Settlement.

1.25. “Released Claims” means any and all Claims asserted in the Action, that might have been asserted in the Action, or that may later be asserted arising out of or related to the facts, transactions, events, occurrences, acts, disclosures, statements, omissions, or failures to act that were or could have been alleged in the Action, including Claims arising out of or based in whole or in part on allegations that Defendant or any of its predecessors or successors breached the Policies by considering factors other than mortality, including expenses (including administrative, maintenance, and acquisition expenses, sales commissions, taxes, and fees), reinsurance costs, persistency, lapses, future investment income, interest crediting projections, taxes, cash surrenders, sales volume, marketing costs, capital costs, competitiveness, profit objectives, or profit, when determining Cost of Insurance Rates; recovering expenses through the Cost of Insurance Charge, including any expenses in excess of the Policy’s stated Maintenance Charge, Administrative Charge, or any other expense charge; or failing to change Cost of Insurance Rates in response to Defendant’s mortality experience or changing expectations as to future mortality experience for any class of policyholders. Released Claims expressly includes all Claims based in whole or in part on Defendant’s calculation, recalculation, determination, redetermination, or deduction of Cost of Insurance Charges. Released Claims also expressly includes all Claims that Defendant has any future obligation to decrease Cost of Insurance Rates for any reason. Released Claims do not include Excluded Claims.

1.26. “Released Parties” means, individually and collectively, Defendant and Defendant’s current and former shareholders, agents, representatives, principals, employees, independent contractors, attorneys, trustees, owners, directors, officers, fiduciaries, administrators, partners, subrogees, reinsurers, creditors, insurance providers, parent, subsidiaries, divisions, affiliates, related entities, predecessors, successors, assignees, and all other persons or entities acting by or through them; and Plaintiff and each Settlement Class Member and their respective agents, beneficiaries, heirs, relatives, representatives, attorneys, predecessors, successors, insurers, trustees, subrogees, executors, assignees, and all other persons or entities acting by or through any of them.

1.27. “Releasing Parties” means Plaintiff and each Settlement Class Member on behalf of themselves and their respective agents, beneficiaries, heirs, relatives, representatives, attorneys, predecessors, successors, insurers, trustees, subrogees, executors, assignees, and all other persons or entities acting by or through any of them; and Defendant and Defendant’s current and former shareholders, agents, representatives, principals, employees, independent contractors, attorneys, trustees, owners, directors, officers, fiduciaries, administrators, partners, subrogees, reinsurers, creditors, insurance providers, parent, subsidiaries, divisions, affiliates, related entities, predecessors, successors, assignees, and all other persons or entities acting by or through them.

1.28. “Settlement” means the settlement set forth in this Agreement.

1.29. “Settlement Administration Expenses” means all fees, costs, and expenses incurred by the Settlement Administrator, including Class Notice costs and claims administration, which shall be a fixed amount not to exceed \$200,000, and shall be paid from the Settlement Fund.

1.30. “Settlement Administrator” means Analytics Consulting LLC, a qualified third-party settlement administrator mutually agreed upon by Plaintiff and Defendant to provide Class Notice and administer payment of settlement relief.

1.31. “Settlement Class” means the persons or entities who own or owned one of approximately 39,000 Universal Life 1 or Universal Life 2 life insurance policies issued or administered by USAA Life or its predecessors in interest, and in force on or after March 1, 1999; and the persons or entities who own or owned one of approximately 83,000 Universal Life 3 or Universal Life 4 life insurance policies issued or administered by USAA Life or its predecessors in interest, and in force on or after March 1, 1999. The Settlement Class excludes USAA Life; any entity in which USAA Life has a controlling interest; any of the officers, directors, or employees of USAA Life; the legal representatives, heirs, successors, and assigns of USAA Life; anyone employed with Plaintiff’s law firms; and any Judge to whom this case is assigned, and his or her immediate family. Also excluded from the Class are persons or entities who own or owned Universal Life 3 and Universal Life 4 policies issued in New Jersey and policies issued by USAA Life Insurance Company of New York. The Settlement Class is made up of the Owners of the Policies on the Class List. “Settlement Class Members” means all persons and entities that are included in the Settlement Class.

1.32. “Settlement Fund” means a non-reversionary cash fund consisting of the consideration paid by Defendant in the amount of \$90,000,000. The Settlement Fund will be a single qualified settlement fund pursuant to 26 U.S.C. § 468 that will be used to pay Settlement Administration Expenses, Plaintiff’s Service Award, Class Counsel’s Fees and Expenses, and all settlement relief to Settlement Class Members. No portion of the Settlement Fund may revert to

Defendant, and Defendant shall have no financial obligations under this Settlement other than payment of the Settlement Fund.

1.33. “Settlement Website” means a website set up by the Settlement Administrator containing relevant information about the Settlement.

1.34. “Settlement Fund Account” means the escrow account to be established by the Settlement Administrator in the United States, from which all payments out of the Settlement Fund will be made. The Settlement Fund Account shall be established under terms acceptable to Plaintiff and Defendant at a depository institution insured by the Federal Deposit Insurance Corporation.

1.35. “Unknown Claims” means any Claims asserted, that might have been asserted, or that may later be asserted in the Action arising out of the facts, transactions, events, occurrences, acts, disclosures, statements, omissions, or failures to act that were alleged in the Action that Plaintiff or any Settlement Class Member does not know or suspect to exist in his or her favor at the time of the entry of the Order and Judgment, and which if known by him or her might have affected his or her decision to opt out of or object to the Settlement. With respect to any and all Claims released under Paragraphs 3.1 and 3.2, the Parties stipulate and agree that, upon the Final Settlement Date, Plaintiff and each Settlement Class Member understand that they have and shall be deemed to have, and by operation of the Order and Judgment shall have, expressly waived and relinquished, to the fullest extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, MUST HAVE

**MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE
DEBTOR OR RELEASED PARTY.**

PLAINTIFF AND EACH SETTLEMENT CLASS MEMBER, UPON THE FINAL SETTLEMENT DATE, SHALL BE DEEMED TO HAVE, AND BY OPERATION OF THE ORDER AND JUDGMENT SHALL HAVE, WAIVED ANY AND ALL PROVISIONS, RIGHTS, AND BENEFITS CONFERRED BY ANY LAW OF ANY STATE OR TERRITORY OF THE UNITED STATES, OR PRINCIPLE OF COMMON LAW, WHICH IS SIMILAR, COMPARABLE, OR EQUIVALENT TO SECTION 1542 OF THE CALIFORNIA CIVIL CODE. PLAINTIFF AND SETTLEMENT CLASS MEMBERS MAY HEREAFTER DISCOVER FACTS IN ADDITION TO OR DIFFERENT FROM THOSE THAT THEY NOW KNOW OR BELIEVE TO BE TRUE WITH RESPECT TO THE SUBJECT MATTER OF THE RELEASED CLAIMS, BUT PLAINTIFF AND EACH SETTLEMENT CLASS MEMBER, UPON THE FINAL SETTLEMENT DATE, SHALL BE DEEMED TO HAVE, AND BY OPERATION OF THE ORDER AND JUDGMENT SHALL HAVE, FULLY, FINALLY, AND FOREVER SETTLED AND RELEASED ANY AND ALL RELEASED CLAIMS, KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, CONTINGENT OR NON-CONTINGENT, WHETHER OR NOT CONCEALED OR HIDDEN, WHICH NOW EXIST, OR HERETOFORE HAVE EXISTED UPON ANY THEORY OF LAW OR EQUITY NOW EXISTING OR COMING INTO EXISTENCE IN THE FUTURE, INCLUDING, BUT NOT LIMITED TO, CONDUCT THAT IS NEGLIGENT, INTENTIONAL, WITH OR WITHOUT MALICE, OR ANY BREACH OF ANY DUTY, LAW, OR RULE WITHOUT REGARD TO SUBSEQUENT DISCOVERY OR EXISTENCE OF SUCH DIFFERENT OR

ADDITIONAL FACTS. PLAINTIFF AND EACH SETTLEMENT CLASS MEMBER AGREE THAT THIS IS AN ESSENTIAL TERM OF THE AGREEMENT.

1.36. The terms “he or she” and “his or her” include “it” or “its” or “their,” where applicable. Defined terms expressed in the singular also include the plural form of the term, and vice versa, where applicable.

1.37. All references in this Agreement to sections and paragraphs refer to sections and paragraphs of this Agreement, unless otherwise expressly stated in the reference.

2. Settlement Relief

2.1. On or within one business day after the Preliminary Approval Date, Class Counsel shall provide to Defendant’s Counsel written confirmation of all necessary information to complete the wire transfers of any funds due from Defendant pursuant to the Settlement into the Settlement Fund Account. Within seven business days of the Preliminary Approval Date, Defendant shall fund the Settlement Fund in the amount of the Settlement Administration Expenses by wire transfer into the Settlement Fund Account. Within seven business days following the Final Settlement Date, Defendant shall fund the balance of the Settlement Fund (Settlement Fund less the Settlement Administration Expenses) by wire transfer into the Settlement Fund Account.

2.2. Within seven days following receipt of the balance of the Settlement Fund referred to in Paragraph 2.1, the Settlement Administrator shall transfer Class Counsel’s Fees and Expenses, and Plaintiff’s Service Award, by wire transfer to the trust account designated by Class Counsel.

2.3. The Net Settlement Fund shall be distributed to the Settlement Class pursuant to the distribution formulas proposed by Class Counsel, attached hereto as Exhibit B, subject to

approval by the Court. Class Counsel may, subject to Court approval and USAA Life's right to object, revise the distribution formulas and the attached Exhibit B. Any such revision shall not constitute an amendment or modification to the Agreement subject to Paragraph 11.13.

2.4. Class Counsel will deliver the data necessary to apply the distribution formulas for Settlement Class Members to the Settlement Administrator within seven days after the Preliminary Approval Date. Within 30 days after the Final Settlement Date, the Settlement Administrator shall calculate each Settlement Class Member's distribution pursuant to the distribution formulas and deliver to each Settlement Class Member (except Settlement Class Members who opt out of the Settlement) by U.S. mail, first-class postage prepaid, a settlement check in the amount of the share of the Net Settlement Fund to which the Settlement Class Member is entitled pursuant to the distribution formulas approved by the Court. Settlement checks will be automatically mailed without any proof of claim or further action on the part of the Settlement Class Members.

2.5. Checks shall remain negotiable for 180 days from the date of mailing. Checks not cashed during this time will be cancelled, and amounts of cancelled checks will be sent to the unclaimed property division of the state in which each such Settlement Class Member was last sent Class Notice. Checks shall be re-issued by the Settlement Administrator if such requests are received from Settlement Class Members before the transfer to the unclaimed property divisions has occurred. Defendant shall have no obligations or responsibility relating to the redistribution or reissuance of any canceled checks or the transmission of any amounts of canceled checks.

2.6. The Parties agree that if the Court finds that the distribution formulae submitted by Class Counsel is not fair and reasonable, and refuses to approve the Settlement on that basis, the Parties will negotiate in good faith a modification of the Settlement to resolve the issue to the satisfaction of the Court.

3. Releases and Waivers

3.1. Upon the Final Settlement Date and Defendant's wiring of the Settlement Fund amount provided by Paragraph 2.1, the Releasing Parties shall be deemed to have, and by operation of the Order and Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Released Parties of and from all Released Claims.

3.2. As part of the consideration for the benefits conveyed pursuant to Paragraphs 2.1 through 2.6, the Releasing Parties agree and understand that Defendant may deduct Cost of Insurance Charges from Settlement Class Members' accounts that are calculated using Cost of Insurance Rates that include consideration of, or that account for, factors other than mortality, including without limitation expenses (including administrative, maintenance, and acquisition expenses, sales commissions, taxes, and fees), reinsurance costs, persistency, lapses, future investment income, interest crediting projections, taxes, cash surrenders, sales volume, marketing costs, capital costs, competitiveness, profit objectives, or profit, and that Defendant may decline to adjust Cost of Insurance Rates notwithstanding any changes in its mortality experience or expectations as to future mortality experience. Defendant shall not increase Cost of Insurance Rates for the Policies, except that Defendant may do so in response to worsening expectations of future mortality experience.

3.3. Upon the Final Settlement Date, the Releasing Parties with in-force Policies shall be deemed to have, and by operation of the Order and Judgment shall have, waived any and all Claims against the Released Parties involving any Cost of Insurance Charges deducted from Settlement Class Members' accounts after the Final Settlement Date that are calculated using Cost of Insurance Rates to the extent such Claims arise out of the Released Parties' consideration of, or accounting for, factors other than mortality, including without limitation expenses (including

administrative, maintenance, and acquisition expenses, sales commissions, taxes, and fees), reinsurance costs, persistency, lapses, future investment income, interest crediting projections, taxes, cash surrenders, sales volume, marketing costs, capital costs, competitiveness, profit objectives, or profit, or that Defendant failed to adjust Cost of Insurance Rates in response to its mortality experience or any changes in its expectations as to future mortality experience, or that in any way arise out of or are based on the facts, transactions, events, occurrences, acts, disclosures, statements, omissions, or failures to act that were or could have been alleged in the Action regarding the subject matter of the Action.

3.4. Nothing in this Section 3 shall preclude any action to enforce the terms of this Agreement.

3.5. The scope of the Released Claims or Released Parties shall not be impaired in any way by the failure of any Settlement Class Member to actually receive the benefits provided for under this Agreement.

3.6. The Parties acknowledge that the release provisions in this Section 3 constitute essential terms of this Agreement.

3.7. The Parties acknowledge and expressly agree that the release provisions in this Section 3 shall be, and may be raised as, a complete defense to and will preclude any action or proceeding encompassed by the Released Claims.

4. Notice to Settlement Class Members

4.1. Subject to the requirements of any orders entered by the Court, and no later than 45 days after the Preliminary Approval Date or the date the Court approves the Class Notice plan, whichever is later, the Settlement Administrator will mail a Class Notice by first-class mail to the addresses on the Notice List. If more time is needed to prepare the Notice List and mail Class

Notice, the Parties will agree on another date for mailing the Class Notice, unless otherwise ordered by the Court.

4.2. The mailing of a Class Notice to a person or entity that is not in the Settlement Class shall not render such person or entity a part of the Settlement Class or otherwise entitle such person to participate in the Settlement.

4.3. Defendant will deliver the Notice List to the Settlement Administrator within 14 days following the Preliminary Approval Date. This Notice List shall be designated Confidential Information.

4.4. The Settlement Administrator will run an update of the last known addresses provided by Defendant through the National Change of Address database before mailing the Class Notice. If a Class Notice is returned to the Settlement Administrator as undeliverable, the Settlement Administrator will: (i) re-mail any Class Notice returned with a forwarding address, and (ii) make reasonable attempts to find an address for any returned Class Notice that does not include a forwarding address. The Settlement Administrator will re-mail the Class Notice to every person and entity in the Notice List for which it obtains an updated address. If any Settlement Class Member is known to be deceased, the Class Notice will be addressed to the deceased Settlement Class Member's last known address and "To the Estate of [the deceased Settlement Class Member]."

4.5. Within seven days after the Notice Date, the Settlement Administrator shall provide Class Counsel and USAA Life's counsel with one or more declarations confirming that notice was completed in accordance with the Parties' instructions and the Court's approval. Class Counsel shall file such declaration(s) with the Court as an exhibit to or in conjunction with the motion for final approval of the Settlement.

4.6. The Settlement Administrator will establish, maintain, and update a Settlement Website to provide relevant information to Settlement Class Members, including links to important documents relating to the Settlement.

4.7. The Agreement may be amended by a written instrument signed by or on behalf of all Parties or their respective successors-in-interest, as provided in Paragraph 11.13. Unless otherwise ordered by the Court, notice of any such amendment will be provided to Settlement Class Members through the Settlement Website.

5. Responses to Class Notice

5.1. The Class Notice shall advise Settlement Class Members of their right to opt out of the Settlement. Settlement Class Members may opt out of this Settlement by serving a written notice on the Settlement Administrator postmarked no later than 35 days after the Notice Date, or such other date determined by the Court. The Settlement Administrator shall notify the Parties of the receipt of any written opt out notice.

5.2. To be in proper form, the opt out notice from the Settlement Class Member must include: (i) the Settlement Class Member's full name, current address, telephone number, e-mail address, and Policy number; (ii) a clear statement that he, she, or it elects to be excluded from the Settlement Class and does not want to participate in the Settlement; and (iii) be signed by the Settlement Class Member or by a person providing a valid power of attorney to act on behalf of the Settlement Class Member. If there are multiple owners of a Policy, all owners must sign unless the signatory holds and submits a copy of a valid power of attorney to act on behalf of all then-current owners of the Policy.

5.3. Every Settlement Class Member that does not file a timely and proper written opt out notice will be bound by all subsequent proceedings, orders, and judgments in the Action.

5.4. Notwithstanding anything in this Agreement, if the aggregate percentage of Settlement Class Members who properly and timely exercise their right to opt out of the Settlement exceeds the number set forth in a separate confidential agreement between the Parties executed and delivered with the execution of this Agreement, Defendant will have the right, in its sole and absolute discretion, but not the obligation to withdraw from the Settlement and terminate the Agreement in writing no later than 14 days following the close of the opt out period without penalty and without prejudice to its position on the issue of class certification or any other issue in the Action. If Defendant exercises its right to terminate under this provision, the Parties will be restored to their position existing immediately before the execution of this Agreement. The confidential termination agreement may be disclosed to the Court *in camera* should the Court so request. Notwithstanding any disclosure to the Court, the Parties agree to keep the content of the confidential termination agreement strictly confidential.

5.5. The Class Notice shall advise Settlement Class Members of their right to object and the manner required to do so. Settlement Class Members may object to this Settlement by serving a written objection on the Settlement Administrator postmarked no later than 35 days after the Notice Date, or such other date determined by the Court. Unless otherwise ordered by the Court, the objection must contain: (1) the full name, address, telephone number, and email address, if any, of the Settlement Class Member; (2) the Settlement Class Member's Policy number; (3) a written statement of all grounds for the objection accompanied by any legal support for the objection (if any); (4) copies of any documents upon which the objection is based; (5) a list of all persons who will be called to testify in support of the objection (if any); (6) a statement of whether the Settlement Class Member intends to appear at the Fairness Hearing; (7) a statement whether the objection applies only to the objector, to a specific subset of the class, or to the entire class;

and (8) the signature of the Settlement Class Member or his/her counsel. If an objecting Settlement Class Member intends to appear at the Fairness Hearing through counsel, the written objection must also identify all attorneys representing the objecting Settlement Class Member who will appear at the Settlement Hearing. Unless otherwise ordered by the Court, Settlement Class Members who do not timely object as provided in this Paragraph will be deemed to have waived all objections and shall not be heard or have the right to appeal approval of the Settlement. The Settlement Administrator shall promptly provide the Parties with copies of all objections.

5.6. Class Counsel shall file with the Court all objections served on the Settlement Administrator within five days after the deadline for Settlement Class Members to file objections, or as otherwise directed by the Court. The Parties may serve and file responses to written objections any time prior to the Fairness Hearing, or as otherwise directed by the Court.

6. Notice Under the Class Action Fairness Act

6.1. Within 10 days following the filing of this Agreement for preliminary approval by the Court, the Settlement Administrator will serve or cause to be served notices of the proposed Settlement upon the appropriate officials in compliance with the Class Action Fairness Act (“CAFA”), 28 U.S.C. § 1715.

7. Communications with Settlement Class Members and Policyowners

7.1. Defendant will not be privy to or respond to inquiries between Settlement Class Members and Class Counsel regarding the proposed Settlement or the Action. However, Defendant may communicate with, and respond to inquiries from or on behalf of, insureds, beneficiaries, policyowners, and Settlement Class Members, orally or in writing regarding matters other than the proposed Settlement or the Action in the normal course of administering the Policies or in the ordinary course of business, including through appropriate agents or agencies.

7.2. Class Counsel will respond to inquiries from Settlement Class Members, subject to review and comment by Defendant's counsel should Class Counsel deem it helpful or necessary. The Settlement Administrator may respond to inquiries received directly from Settlement Class Members and may communicate with both Class Counsel and Defendant about those inquiries.

8. Fees and Expenses

8.1. For the settlement relief provided to Settlement Class Members, Class Counsel will seek an award of attorneys' fees in an amount not to exceed thirty percent of the Settlement Fund, and reimbursement of Class Counsel's costs and expenses in an amount not to exceed \$300,000, subject to approval by the Court. Provided that neither Plaintiff nor Class Counsel seek attorneys' fees, costs, and expenses in excess of the amounts set forth in this Paragraph, Defendant agrees not to oppose Plaintiff's or Class Counsel's request for approval of attorneys' fees, costs and expenses. The Parties agree that this provision was negotiated after negotiating substantive relief to the Settlement Class, including the amount of the Settlement Fund.

8.2. Class Counsel may move the Court, and Defendant agrees not to oppose the motion, for a service award payment to Plaintiff in an amount not to exceed \$20,000 to compensate Plaintiff for his efforts on behalf of the Settlement Class. Payment of this service award shall be made to Plaintiff in addition to any settlement relief he may be eligible to receive.

8.3. Defendant and Plaintiff shall not be liable or obligated to pay any fees, expenses, costs, or disbursements to any person, either directly or indirectly, in connection with the Action, this Agreement, or the Settlement, other than as expressly provided in this Agreement.

8.4. The Parties agree that the Settlement is not conditioned on the Court's approval of Plaintiff's Service Award or approval of the payment of Class Counsel's Fees and Expenses. Class

Counsel will submit a separate order for the Court's consideration related to attorneys' fees, litigation costs and expenses, and Plaintiff's Service Award.

9. Tax Reporting and No Prevailing Party

9.1. Any person or entity receiving any payment or consideration pursuant to this Agreement shall be solely responsible for the reporting and payment of any federal, state, or local income or other tax on any payment made pursuant to this Agreement, and Defendant shall have no obligations to report or pay any federal, state, or local income or other tax on any payment made pursuant to this Agreement. Defendant, Defendant's counsel, and Class Counsel shall have no responsibility for providing any opinion concerning the tax consequences of the proposed Settlement to any Settlement Class Member, nor are any representations or warranties in this regard made by virtue of this Agreement.

9.2. No Party shall be deemed the prevailing party for any purposes of this Action.

10. Preliminary and Final Approval

10.1. Plaintiff, through Class Counsel, will request that the Court enter a preliminary approval order in the form attached hereto as Exhibit C and schedule the Fairness Hearing for purposes of determining the fairness of the Settlement, considering the motions for approval of Class Counsel's Fees and Expenses and Plaintiff's Service Award, granting final approval of the Settlement and this Agreement, and entering the Order and Judgment.

10.2. Class Counsel will file a Motion for Final Approval of the Settlement and an Application for Fees and Expenses no later than 14 days after the Notice Date. The Motion for Final Approval of the Settlement will include the Class List and a proposed Final Order and Judgment in a form agreed to by the Parties. The Final Approval Order proposed by the Parties will, among other things: (a) approve the proposed Settlement as fair, reasonable, and adequate;

(b) dismiss the Action with prejudice pursuant to Federal Rule of Civil Procedure 41, with jurisdiction retained by the Court to enforce the terms of the Agreement; and (c) permanently enjoin all Settlement Class Members who do not execute and timely serve a written opt out notice from filing, prosecuting, maintaining, or continuing litigation based on or related to the Released Claims. Class Counsel shall separately submit a proposed Final Order and Judgment with respect to Class Counsel's Fees and Expenses and Plaintiff's Service Award.

11. Other Provisions

11.1. The Parties: (i) agree to cooperate in good faith to the extent reasonably necessary to implement all terms and conditions of the Agreement and to exercise their best efforts to fulfill the foregoing terms and conditions of the Agreement; and (ii) agree to cooperate in good faith to obtain preliminary and final approval of the Settlement and to finalize the Settlement. If preliminary or final approval of the Settlement are not obtained, the Parties agree to work in good faith to address any deficiencies in the Settlement and to submit a revised proposed settlement within thirty days following the denial of preliminary or final approval of the Settlement; provided, however, that Defendant shall have no obligation to agree to pay more than \$90 million in any revised proposed settlement.

11.2. Plaintiff: (i) agrees to serve as representative of the Settlement Class; (ii) remains ready, willing, and able to perform all of the duties and obligations of a representative of the Settlement Class; (iii) is familiar with the allegations in the Action; (iv) has consulted with Class Counsel about the Action (including discovery conducted in the Action), this Agreement, and the obligations of a representative of the Settlement Class; and (v) shall remain a representative of the Settlement Class until the terms of this Agreement are fully implemented, this Agreement is terminated in accordance with its terms, or the Court determines that the Plaintiff cannot represent

the Settlement Class. The Parties agree that should the Plaintiff be rendered medically incompetent or die before the Final Settlement Date, any further obligation of Plaintiff as a representative of the Settlement Class shall be carried out by his heirs, assigns, successors-in-interest, personal representatives, executors, or administrators of his estate, or, if the preceding are unable to serve, by an alternative class representative approved by the Court.

11.3. Class Counsel covenants, represents, and warrants to Defendant that: (i) Prior to Plaintiff's execution of this Agreement, Class Counsel shall have explained the terms and effect of this Agreement to Plaintiff; (ii) Class Counsel has not and will not make any undisclosed payment or promise to Plaintiff for the direct or indirect purpose of obtaining Plaintiff's consent to the Agreement; and (iii) Class Counsel will not use, distribute, give, sell, or transfer any materials obtained from Defendant as a result of the Action for use in any other litigation or for any other purpose.

11.4. Class Counsel further warrants and represents to Defendant that it has the full authority to enter into this Agreement on behalf of and bind the Settlement Class, other than those who validly opt out in the manner set forth above.

11.5. Class Counsel, the Settlement Class, and Defendant shall use their best efforts to conclude the Settlement and obtain the Final Order and Judgment. Class Counsel, the Settlement Class, and Defendant agree that it is essential that this Settlement be prosecuted to a successful conclusion in accordance with all applicable provisions of law and the exercise of good faith on the part of Class Counsel, the Settlement Class, and Defendant. The Parties further represent, agree, and acknowledge that the Settlement is a fair resolution of these claims for the Parties and the Settlement Class. Subject to their ethical obligations, neither the Parties nor their respective

counsel shall make any statements suggesting the contrary, either before or after the Court's approval of the Settlement.

11.6. The Parties agree that the amounts paid in Settlement and the other terms of the Settlement were negotiated in good faith, and at arm's length, and reflect a Settlement that was reached voluntarily after consultation with competent legal counsel.

11.7. No person or entity shall have any claim against Class Counsel, the Settlement Administrator, Defendant's counsel, or any of the Released Parties based on actions taken substantially in accordance with the Agreement or further orders of the Court.

11.8. Defendant specifically and generally denies all liability or wrongdoing of any sort with regard to any of the claims or allegations in the Action and makes no concessions or admissions of liability of any sort. Neither this Agreement nor the Settlement nor any drafts or communications related to them, nor any act performed or document executed pursuant to or in furtherance of the Agreement or the Settlement: (i) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of any of the Released Parties; or (ii) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Released Parties in any civil, criminal, or administrative proceeding in any court, administrative agency, regulatory proceeding, or other tribunal. Nothing in this Paragraph shall prevent Defendant or any of the Released Parties from using this Agreement and Settlement or the Order and Judgment in any action against them to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, waiver, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion, issue preclusion, or similar defense or counterclaim.

11.9. Plaintiff and Class Counsel agree that if this Agreement fails to be approved, fails to become effective, or otherwise fails to be consummated, or if there is no Final Settlement Date, Defendant shall retain, and expressly reserves, all of the rights it had before the execution of this Agreement to object to the maintenance of the Action as a class action. Plaintiff and Class Counsel agree that nothing in this Agreement or other papers or proceedings related to the Settlement shall be used as evidence or argument concerning whether the Action may properly be maintained as a class action, whether the purported class is ascertainable, or whether Class Counsel or Plaintiff can adequately represent class members under applicable law. If the Agreement is deemed void or the Final Settlement Date does not occur, Plaintiff and Class Counsel agree not to argue or present any argument, and hereby waive any argument, that Defendant could not contest (or is estopped from contesting) maintenance of this Action as a class action based on any grounds it had prior to the execution of this Agreement; and this Agreement shall not be deemed an admission by, or ground for estoppel against, Defendant that class certification or any claims brought in the Action are proper. If the Agreement is declared void or the Final Settlement Date does not occur, Plaintiff and Class Counsel retain all rights and arguments they had before execution of this Agreement to oppose Defendant's positions and arguments. Each of the Parties will be restored to the place he or it was in as of the date this Agreement was signed with the right to assert in the Action any argument or defense.

11.10. This Agreement does not, and will not be deemed to, create any fiduciary or similar relationship between Defendant and any of its current, past, or prospective policy owners. This Agreement does not impose, and will not be deemed to impose, any fiduciary or other similar duty on Defendant, and Defendant expressly disclaims any fiduciary or other similar duties. The duties

and obligations assumed by Defendant as a result of this Agreement are limited to those expressly set forth in this Agreement.

11.11. Punitive or exemplary damages are not available to any Settlement Class Member under the proposed Settlement described in this Agreement.

11.12. The Parties agree, to the extent permitted by law, that all orders entered during the course of the Action relating to confidentiality of information shall survive this Agreement.

11.13. The Agreement may be amended only by a written instrument signed by or on behalf of all Parties or their respective successors-in-interest. No waiver of any provision of this Agreement or consent to any departure by either Party therefrom shall be effective unless in writing, signed by the Parties or their counsel, and any such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given. No amendment to this Agreement pursuant to this Paragraph shall require any additional notice to the Settlement Class Members, including written or publication notice, unless ordered by the Court. The Parties may provide updates on any amendments to this Agreement on the Settlement Website.

11.14. This Agreement will terminate at the sole option and discretion of Plaintiff or Defendant if: (a) the Court or any appellate court with jurisdiction over any appeal taken from the Court rejects, modifies, or denies approval of any material portion of this Agreement, or (b) the Court or any appellate court with jurisdiction over any appeal taken from the Court does not enter or completely affirm, or modifies, alters, narrows, or expands, any material portion of the Final Approval Order. However, this paragraph shall not apply to any modification, rejection, or denial of approval of any portion of Plaintiff's Service Award or Class Counsel's Fees and Expenses. The terminating Party must exercise the option provided in this Paragraph to withdraw from and terminate this Settlement in writing no later than 14 days after receiving notice of the event

prompting the termination. If the Agreement is so terminated, the Parties will be returned to their *status quo ante*.

11.15. Neither the Parties nor their counsel shall issue any press release. The Parties or their counsel may publicly refer to information available in documents on the Court's docket.

11.16. Each person executing the Agreement warrants that he or she has the full authority to do so.

11.17. The Agreement may be executed in one or more counterparts. All executed counterparts shall be deemed to be the same instrument. PDFs or copies of original signatures will have the same effect as the original. A complete set of executed counterparts shall be filed with the Court.

11.18. The Agreement shall be binding upon, and inure to the benefit of, the successors, heirs, and assigns of the Parties; but this Agreement is not designed to and does not create any third-party beneficiaries either express or implied, except as to the Settlement Class Members.

11.19. The language of all parts of this Agreement, including the Exhibits which are an integral part of the Agreement, shall in all cases be construed as a whole, according to its fair meaning, and not construed for or against either Party. No Party shall be deemed the drafter of this Agreement. The Parties acknowledge that the terms of the Agreement are contractual and are the product of negotiations between the Parties and their counsel. Each Party and his or its respective counsel cooperated in the drafting and preparation of the Agreement. No parol or other evidence may be offered to explain, construe, contradict, or clarify the terms of this Agreement, the intent of the Parties or the Parties' counsel, or the circumstances under which this Agreement was made or executed. The Parties acknowledge that there are no other agreements, arrangements, or understandings among or between them that are not expressed or referred to in this Agreement.

11.20. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Texas, without reference to its choice-of-law or conflict-of-laws rules.

11.21. The Court shall retain jurisdiction with respect to implementation and enforcement of the Agreement and any discovery sought from or concerning objectors to the Settlement. All Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the Settlement.

11.22. Whenever this Agreement requires or contemplates that one Party shall or may give notice to the other, notice shall be provided by e-mail and next-day (excluding Saturday and Sunday) express delivery service as follows:

If to Defendant, then to:

Thomas J. Butler
Michael Mulvaney
MAYNARD COOPER & GALE P.C.
1901 Sixth Ave. North
Suite 2400
Birmingham, AL 35203
Tbutler@maynardcooper.com
MMulvaney@maynardcooper.com

-and-

Eric S. Mattson
SIDLEY AUSTIN LLP
One South Dearborn Street
Chicago, IL 60603
emattson@sidley.com

-and-

Thomas F.A. Hetherington
McDOWELL HETHERINGTON LLP
1001 Fannin Street, Suite 2700
Houston, TX 77002
tom.hetherington@mhllp.com

If to Plaintiff, then to:

Norman E. Siegel
Ethan M. Lange
STUEVE SIEGEL HANSON LLP
460 Nichols Road, Suite 200
Kansas City, MO 64112
siegel@stuevesiegel.com
lange@stuevesiegel.com

-and-

John J. Schirger
Matthew W. Lytle
MILLER SCHIRGER LLC
4520 Main St., Ste. 1570
Kansas City, MO 64111
JSchirger@millerschirger.com
MLytle@millerschirger.com

11.23. The Parties reserve the right to agree between themselves on any reasonable extensions of time that might be necessary to carry out any of the provisions of this Agreement.

11.24. All time periods in this Agreement shall be computed according to Fed. R. Civ. P. 6 as it exists as of the date of this Agreement

[Remainder of this page intentionally left blank.]

Stipulated and agreed to by,

ROY SPEGELE

On Behalf of Plaintiff and the Class

USAA LIFE INSURANCE COMPANY

DocuSigned by:

75E7F5EADF45435

By: Brandon Carter

Title: President

Date: 4/1/2021

On Behalf of Defendant

APPROVED ONLY AS TO FORM:

Daniel C. Girard
Girard Gibbs LLP
601 California Street, 14th Floor
San Francisco, CA 94108
Tel: 415-981-4800
Fax: 415-981-4846

John J. Schirger
Matthew W. Lytle
Miller Schirger LLC
4520 Main St., Ste. 1570
Kansas City, MO 64111
Tel: 816-561-6500
Fax: 816-561-6501

Norman E. Siegel
Patrick J. Stueve
Bradley T. Wilders
Ethan A. Lange
Stueve Siegel Hanson LLP
460 Nichols Road, Suite 200
Kansas City, MO 64112
Tel: 816-714-7100
Fax: 816-714-7101

Plaintiff's Counsel & Class Counsel

EXHIBIT LIST TO SETTLEMENT AGREEMENT

- Exhibit A: Class Notice
- Exhibit B: Distribution Formulae
- Exhibit C: Preliminary Approval Order

EXHIBIT A

Spegele v. USAA Life Insurance Company
NOTICE OF CLASS ACTION LAWSUIT

Dear Class Member,

You have been sent this Notice of Class Action Lawsuit (the “Notice”) because you have been identified as a Settlement Class Member in the class action lawsuit, *Spegele v. USAA Life Insurance Company*, pending in the United States District Court for the Western District of Texas, Case No. 5:17-cv-967. This Notice summarizes a recent Settlement between the Parties that impacts your rights. A full description of the Settlement is contained in the Settlement Agreement, which includes the precise definitions of capitalized terms used in this Notice. The Agreement is available for you to read at www.WEBSITE.com. Please read it and this Notice carefully to understand your rights and obligations under the Settlement.

Records provided by USAA Life Insurance Company indicate that you are currently the owner or were the owner at the time of termination of a Universal Life 1, Universal Life 2, Universal Life 3, and/or a Universal Life 4 life insurance policy issued or administered by USAA Life. Throughout this Notice, USAA Life Insurance Company is referred to as “USAA Life.”

The parties have reached a Settlement involving the cost of insurance charges that USAA Life deducted from policyholders’ account values for these life insurance policies. The Settlement provides that USAA Life will fund a cash Settlement Fund in the amount of \$90 million, which will be used to pay (1) cash to Settlement Class Members; (2) Class Counsel’s attorneys’ fees and expenses in an amount to be approved by the Court; (3) a service award to the class representative in an amount to be approved by the Court; and (4) the expenses incurred in administering the Settlement. USAA Life’s records show that you may be eligible to participate in the Settlement.

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS

If You Own or Owned a Universal Life 1, Universal Life 2, Universal Life 3, and/or Universal Life 4 Insurance Policy Issued or Administered by USAA Life Insurance Company, a Class Action Settlement May Affect Your Rights

**A COURT AUTHORIZED THIS NOTICE.
THIS IS NOT A SOLICITATION FROM A LAWYER.
YOU ARE NOT BEING SUED.**

- A Settlement has been reached with USAA Life in a class action lawsuit about the cost of insurance charges deducted from policyholders' account values. If the Settlement is approved by the Court, you will automatically receive a payment. No further action is required.
- Generally, the Settlement includes current and former Universal Life 1, Universal Life 2, Universal Life 3, and/or Universal Life 4 policy owners whose policies were in force on or after March 1, 1999 (*see* Question 4 below).
- As part of the Settlement, Settlement Class Members will be eligible to receive a portion of a cash Settlement Fund funded by USAA Life in the amount of \$90 million (*see* Question 6 below).

YOUR LEGAL RIGHTS AND OPTIONS IN THIS LAWSUIT	
DO NOTHING	Automatically receive your share of the Settlement Fund.
ASK TO BE EXCLUDED	Get no benefits from the Settlement and preserve your right to separately sue USAA Life about the claims in this case.
OBJECT	Write to the Court if you don't like the Settlement.
GO TO A HEARING	Ask to speak in Court about the fairness of 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 finally approve the Settlement. Settlement checks will be automatically issued to each Settlement Class Member if the Court approves the Settlement and after any appeals are resolved. **You do not need to take further action to receive payment if you are eligible under the Settlement.** Please be patient.

BASIC INFORMATION

1. Why did I get this Notice?

USAA Life’s records show that you own or owned a Universal Life 1, Universal Life 2, Universal Life 3, and/or a Universal Life 4 life insurance policy issued or administered by USAA Life or its predecessors in interest (or were identified as the legal representative of such an owner) that was in force on or after March 1, 1999. A Court authorized this Notice because you have a right to know about the proposed Settlement and all of your options before the Court decides whether to approve the Settlement. This Notice explains the lawsuit, the Settlement, and your legal rights.

Chief Judge Orlando L. Garcia of the United States District Court for the Western District of Texas is overseeing this case. The case is known as *Spegele v. USAA Life Insurance Company*, Case No. 5:17-cv-967. The person who sued, Roy Spegele, is called the “Plaintiff.” USAA Life is called the “Defendant.”

The following is only a summary of the Settlement. A full description of the Settlement is in the Settlement Agreement. Nothing in this notice changes the terms of the Settlement Agreement. You can read the Settlement Agreement by visiting www.WEBSITE.com.

2. What is this lawsuit about?

This lawsuit is about whether USAA Life’s “cost of insurance” charges were consistent with the policy language in Universal Life 1, Universal Life 2, Universal 3, and Universal Life 4 life insurance policies (“Policies”). The Policies have a “cash value” that earns interest at or above a minimum rate guaranteed under the Policies. The Policies expressly authorize USAA Life to take a monthly deduction from the cash value to cover various charges.

Plaintiff alleges that USAA Life violated the Policies in three different ways. First, the Policies say that Cost of Insurance Rates are “based on the insured’s age, sex, and rate class,” and that “[c]urrent cost of insurance rates are based on [USAA Life’s] expectations as to future mortality experience.” Plaintiff alleges that USAA Life impermissibly used factors *other* than those identified in the Policies when setting Cost of Insurance Rates. Second, while the Policies permit a separate monthly Maintenance Charge, Administrative Charge, and/or Expense Charge, Plaintiff alleges that USAA Life exceeds the fixed amounts for these charges by considering its expenses when setting Cost of Insurance rates. Third, Plaintiff contends that, although USAA Life’s

expectations as to future mortality experience have improved, it has failed to reduce Cost of Insurance Rates for the Policies.

USAA Life denies all of these claims and believes that all the rates and charges it applied to the Policies are, and always have been, consistent with the terms of the Policies.

You can read Plaintiff's Class Action Complaint and USAA Life's Answer to Class Action Complaint at www.WEBSITE.com.

3. Why is there a Settlement?

The Parties negotiated the Settlement with an understanding of the factual and legal issues that would affect the outcome of this lawsuit. During the lawsuit, Plaintiff, through his attorneys, thoroughly examined and investigated the facts and the law relating to the issues in this case.

Plaintiff believes that the final outcome of the lawsuit, if it were to proceed through trial and appeals, is uncertain. A settlement avoids the costs and risks of further litigation and provides immediate relief to the Settlement Class Members. Based on their evaluation of the facts and law, Plaintiff and his attorneys have determined that the proposed Settlement is fair, reasonable, and adequate. They have reached this conclusion based on the substantial benefits the Settlement provides to Settlement Class Members and the risks, uncertainties, and costs inherent in the lawsuit.

There has been no trial and there has been no final determination on the merits of the claims or defenses in this lawsuit. There will be no trial or final determination on the merits of the claims and defenses if the Court approves the Settlement. The Settlement does not indicate that USAA Life has done anything wrong, or that Plaintiff and the Settlement Class Members would win or lose if the lawsuit were to go to trial.

4. Who is included in the Settlement Class?

The Settlement Class includes all persons who own or owned Universal Life 1, Universal Life 2, Universal Life 3, and/or Universal Life 4 life insurance policies issued or administered by USAA Life, or its predecessors in interest, that were in force on or after March 1, 1999, subject to certain important exclusions ("Class Policy").

If someone who would otherwise be a Settlement Class Member is deceased, his or her estate is a Settlement Class Member.

Excluded from the Settlement Class are USAA Life; any entity in which USAA Life has a controlling interest; any of the officers, directors, or employees of USAA Life; the legal representatives, heirs, successors, and assigns of USAA Life; anyone employed with Plaintiff's law firms; and any Judge to whom this case is assigned, and his or her immediate family. Also excluded from the Class are persons or entities who own or owned Universal Life 3 and Universal Life 4 policies issued in New Jersey and policies issued by USAA Life Insurance Company of

New York. If you only own one or more excluded Policies, you are not a member of the Class. If you own both a Class Policy and an excluded Policy, you are a member of the Class but only with respect to the Class Policy.

5. How can I confirm that I am in the Settlement Class?

If you are not sure whether you are included in the Settlement Class, you can get free help at www.WEBSITE.com or by calling **PHONE NUMBER**.

6. What does the Settlement provide?

USAA Life has agreed to fund a cash Settlement Fund in the amount of \$90 million, which will be used to pay (1) all payments to Settlement Class Members; (2) Class Counsel's attorneys' fees and expenses in an amount to be approved by the Court; (3) a service award to Plaintiff in an amount to be approved by the Court; and (4) the expenses incurred in administering the Settlement.

If the Court approves the Settlement, settlement checks will be mailed to Settlement Class Members in amounts that will vary according to a distribution plan. The distribution plan is designed to provide each Settlement Class Member an approximate pro rata portion of the Net Settlement Fund based on the amount of Cost of Insurance Charges paid by each Settlement Class Member. The distribution plan is attached to the Settlement Agreement as Exhibit B and is available on the settlement website. Settlement Class Members will receive a minimum payment of \$50.

You should consult your own tax advisors about the tax consequences of the proposed Settlement, including any benefits you may receive and any tax reporting obligations you may have as a result.

7. How do I participate in the Settlement? Do I need to make a claim?

Settlement Class Members do not have to do anything to participate in the Settlement. No claims need to be filed. Upon approval of the Settlement, a settlement check will be sent to every Settlement Class Member in the amount determined by the Settlement Administrator using the method described in Question 6 above. If someone who would otherwise be a Settlement Class Member is deceased, his or her estate is a Settlement Class Member.

8. When will I receive my settlement check?

The settlement checks will be sent to Settlement Class Members within 30 days after the Final Settlement Date. Settlement checks will be automatically mailed without any proof of claim or further action on the part of the Settlement Class Members.

9. What happens if I do nothing?

If the Settlement is approved, you will receive a settlement check representing your share of the Settlement. You cannot sue USAA Life (or certain other released parties included as “Released Parties” in the Settlement Agreement) or be part of any other lawsuit against USAA Life concerning the claims in this case or claims that could have been brought in this case, including claims over Cost of Insurance Charges assessed in the past and Cost of Insurance Charges assessed in the future. You may sue USAA Life for future increases to Cost of Insurance Rates if worsening mortality expectations are not a material or primary reason for the increase.

The Settlement Agreement is available at www.WEBSITE.com and describes the claims that you are giving up. If you have any questions, you can talk to the law firms listed in Question 11 for free, or you can hire your own lawyer.

10. Can I exclude myself from the Settlement?

Yes. If you don't want a payment from the Settlement, and/or you want to keep the right to hire your own lawyer and sue USAA Life at your own expense about the issues in this case, then you may request to be excluded from the Settlement Class by sending a written notice to the Settlement Administrator. The notice must include the following information:

- The Settlement Class Member's name (or the name of the entity that owns the Policy), current address, telephone number, and e-mail address;
- Policy number;
- A clear statement that the Settlement Class Member elects to be excluded from the Settlement Class and does not want to participate in the Settlement in *Spegele v. USAA Life Insurance Company*, Case No. 5:17-cv-967;
- The Settlement Class Member's signature, or the signature of a person providing a valid power of attorney to act on behalf of the Settlement Class Member. If there are multiple owners of a Class Policy, all owners must sign the notice, unless the signatory submits a copy of a valid power of attorney to act on behalf of all then-current owners of the Policy.

Your written notice must be served on the Settlement Administrator by mailing it to [REDACTED], postmarked no later than [REDACTED], 2021.

11. How do I tell the Court if I do not like the Settlement?

You can object to the Settlement if you do not like some part of it. The Court will consider your views. To object to the Settlement, you must serve a written objection in the case, *Spegele v. USAA Life Insurance Company*, Case No. 5:17-cv-967. The objection must include the following information:

- The Settlement Class Member's name (or the name of the entity that owns the Policy), current address, telephone number, and email address;

- Policy number;
- A written statement of all grounds for your objection accompanied by any legal support for the objection (if any);
- Copies of any papers, briefs, or other documents upon which the objection is based;
- A list of all persons who will be called to testify in support of the objection (if any);
- An indication of whether you intend to appear at the Fairness Hearing and the identity of all attorneys (if any) who will appear at the Settlement Hearing on your behalf;
- A statement whether the objection applies only to the objector, to a specific subset of the class, or to the entire class; and
- The signature of you or your counsel.

You must serve your objection on the Settlement Administrator by mailing it to [REDACTED], postmarked no later than [REDACTED], 2021.

12. Do I have a lawyer in this case?

Yes. The Court appointed the following lawyers as “Class Counsel” to represent all the members of the Class:

Norman E. Siegel Stueve Siegel Hanson LLP 460 Nichols Rd., Suite 200 Kansas City, MO 64112 spegeleusaa@stuevesiegel.com	John J. Schirger Miller Schirger LLC 4520 Main St., Suite 1570 Kansas City, MO 64111 spegeleusaa@millerschirger.com	Daniel C. Girard Girard Sharp LLP 601 California St., Suite 1400 San Francisco, CA 94108 spegeleusaa@girardsharp.com
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If you have questions, you may contact these lawyers. You will not be charged for contacting these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

13. How will the lawyers be paid?

Class Counsel have not been paid for their work in this case. In addition to thousands of hours of labor spent on this case, Class Counsel have expended substantial expenses prosecuting this case. The Court will determine how much Class Counsel will be paid for fees and expenses. Class Counsel will seek an award for attorneys’ fees of up to 30% of the Settlement Fund, plus reimbursement of Class Counsel’s costs and expenses (no more than \$300,000), also to be paid from the Settlement Fund. You will not be responsible for payment of Class Counsel’s fees and expenses.

Class Counsel will also request a service award payment of up to \$20,000 for Plaintiff for his service as representative on behalf of the Settlement Class. This payment will also be paid from the Settlement Fund. The Court must approve any amounts paid to Class Counsel and to Plaintiff.

14. When and where will the Court decide whether to approve the Settlement?

The Court will hold a hearing to decide whether to approve the Settlement and any requests for attorneys' fees and expenses, a service award to Plaintiff, and the costs of settlement administration. You may attend and ask to speak, but you do not have to.

The Court will hold the hearing at [REDACTED] on [REDACTED], at the United States District Court for the Western District of Texas, 655 E. Cesar E. Chavez Boulevard, San Antonio, Texas 78206. The hearing may be moved to a different date or time without additional notice being mailed to you, so it is a good idea to check www.WEBSITE.com for any updates. At the hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate and in the best interests of Settlement Class Members. If there are objections, the Court will consider them and will listen to people who have asked to speak at the hearing. After the hearing, the Court will decide whether to approve the Settlement. We do not know how long the Court's decision will take.

15. Do I have to attend the hearing?

No, but you or your own lawyer are welcome to attend the Fairness Hearing at your expense. If you send a timely objection but do not attend the Fairness Hearing, the Court will still consider your objection.

16. May I speak at the hearing?

You may speak at the Fairness Hearing by filing an objection that indicates your intention to do so. If you wish to appear through counsel, your written objection must list the attorneys representing you who will appear at the Fairness Hearing. Unless otherwise ordered by the Court, a Settlement Class Member who does not submit a timely objection with the proper notice will not be permitted to speak at the Fairness Hearing.

17. How do I get more information?

This Notice summarizes the proposed Settlement. More details are in the Settlement Agreement. You can find a copy of the Settlement Agreement at www.WEBSITE.com. You may also send your questions to the Settlement Administrator, in writing, at [REDACTED] or call the Settlement Administrator at [PHONE NUMBER](tel:PHONE NUMBER). You can review the Court's docket in this case at [REDACTED].

If your address has changed or will change, please notify the Settlement Administrator by _____, _____.

DATE: _____, 2021

EXHIBIT B

DISTRIBUTION PLAN

The Distribution Plan is designed to distribute to each Settlement Class Member a share of the Net Settlement Fund proportionate to the amount of Cost of Insurance (“COI”) Charges paid by each Settlement Class Member, subject to a minimum settlement payment for all Class Members.

1. Each Settlement Class Member shall receive a check in an amount equal to: (a) a minimum settlement relief payment; PLUS (b) his/her proportionate share of the remaining Net Settlement Fund after deducting all minimum settlement relief payments (the “Remaining Net Settlement Fund”).
2. The amount of Settlement Relief payable to each Settlement Class Member on each Policy owned shall be determined as follows:
 - a. Minimum settlement relief in the amount of \$50; PLUS
 - b. A proportionate share determined by COI Charges paid on each Policy. COI Charges for each Policy are comprised of calculations over two Policy periods: 1) the Pre-Conversion Period (applicable for Policies issued prior to 1997), and 2) the Post-Conversion Period (1997 to the present). USAA Life engaged in a “conversion” of its policy-level transactional data in 1997, and complete, annual transaction-level data is not available prior to that date. The Pre-Conversion Period refers to the period for which complete, annual transactional data is not available. The Post-Conversion Period refers to the later period for which complete, annual transactional data is available for each Policy in force after the conversion.

The proportionate share of the Remaining Net Settlement Fund (after application of the minimum \$50 settlement relief) shall be determined for each Policy as follows:

- i. Pre-Conversion Period – Using appropriate COI Rate tables used by USAA Life for the Policies, each Policy’s COI Charges for the Pre-Conversion Period are calculated by multiplying the number of Pre-Conversion Period Policy years by an estimated average annual COI Charge for each Policy.
- ii. Post-Conversion Period – Using COI Charges reflected in the policy-level transactional data for the Post-Conversion Period, sum the total COI Charges for the Post-Conversion Period.
- iii. Total COI Charges for the Pre-Conversion and Post-Conversion Periods for each Policy, thus accumulating the COI Charges for all years the Policy was or has been in force through Policy termination for terminated Policies or through the most current date policy-level transactional data is available for Policies still In-Force;

- iv. Multiply the above total by:
 - 1. 1.00 for Terminated Policies; and
 - 2. 1.05 for In-Force Policies, to account for the fact that Defendant will likely continue to use its tables of current COI Rates, including the alleged insurance overcharges, to calculate future charges on In-Force Policies;
- v. Determine the percentage of the aggregate accumulated COI Charges for all Policies attributable to each Settlement Class Member by dividing each Settlement Class Member's total accumulated COI Charges by the total accumulated COI Charges for all Policies.

EXHIBIT C

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION**

ROY C. SPEGELE, individually and on behalf
of all others similarly situated,
Plaintiff,

v.
USAA LIFE INSURANCE COMPANY,
Defendant.

Case No. 5:17-cv-967-OLG

**[PROPOSED] ORDER PERMITTING ISSUANCE OF NOTICE OF PROPOSED CLASS
ACTION SETTLEMENT**

Before the Court is Plaintiff’s unopposed motion to permit issuance of Class Notice of the proposed class action Settlement (Doc.). The Parties propose a Settlement of this Action in accordance with a Settlement Agreement dated April 1, 2021 (the “Agreement”), which, together with the Exhibits to the Agreement, sets forth the terms and conditions for a proposed Settlement of this Action and for a dismissal of the Action with prejudice.¹ The Court hereby GRANTS the motion and further orders as follows:

1. **Giving Notice of the Settlement to the Class is Justified.** Pursuant to Federal Rule of Civil Procedure 23(e)(1), the Court finds that giving Class Notice is justified. The Court finds that it will likely be able to approve the proposed Settlement as fair, reasonable, and adequate. The Court also finds that it will likely be able to certify the following Settlement Class because it meets the requirements of Rule 23(a) and Rule 23(b)(3):

Persons or entities who own or owned one of approximately 39,000 Universal Life 1 or Universal Life 2 life insurance policies issued or administered by USAA Life or its predecessors in interest, and in force on or after March 1, 1999; and persons or entities who own or owned one of approximately 83,000 Universal

¹ All defined terms in this order have the same meanings ascribed to them in the Agreement.

Life 3 or Universal Life 4 life insurance policies issued or administered by USAA Life or its predecessors in interest, and in force on or after March 1, 1999.²

2. **Jurisdiction.** The Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1332(d)(2), and personal jurisdiction over the Parties. Additionally, venue is proper in this District pursuant to 28 U.S.C. § 1391(b)(1) and (b)(2).

3. **Class Counsel.** In certifying a class earlier in this case, the Court recognized that Plaintiff's counsel—Stueve Siegel, Miller Schirger, and Girard Sharp—have extensive experience in litigating cost of insurance overcharge cases and, pursuant to Rule 23(g)(1), appointed them as Class Counsel. Accordingly, the Court appoints these counsel as interim class counsel of the proposed Settlement Class pursuant to Rule 23(g)(3), pending certification of the Settlement Class, for purposes of issuing Class Notice.

4. **Settlement Administrator.** The Court appoints Analytics Consulting LLC as the Settlement Administrator, with responsibility for Class Notice and claims administration.

5. **Notice.** The proposed Class Notice program set forth in the Agreement and the declaration of [REDACTED], of [Settlement Administrator], and the Class Notice attached to the Agreement as Exhibit A, are hereby approved. Non-material modifications to the Class Notice may be made without further order of the Court.

The Court finds that the proposed form, content, and method of giving Class Notice (a)

² Excluded from the Settlement Class are USAA Life; any entity in which USAA Life has a controlling interest; any of the officers, directors, or employees of USAA Life; the legal representatives, heirs, successors, and assigns of USAA Life; anyone employed with Plaintiff's law firms; and any Judge to whom this case is assigned, and his or her immediate family. Also excluded from the Class are persons or entities who own or owned Universal Life 3 and Universal Life 4 Policies issued in New Jersey and policies issued by USAA Life Insurance Company of New York (except to the extent they owned Policies that are otherwise in the Settlement Class).

will constitute the best practicable notice to the Settlement Class; (b) are reasonably calculated, under the circumstances, to apprise Class Members of the pendency of the action, the terms of the proposed Settlement, and their rights under the proposed Settlement, including their rights to object to or exclude themselves from the proposed Settlement; (c) are reasonable and constitute due, adequate, and sufficient notice to all Class Members; and (d) meet all applicable requirements of law, including Federal Rule of Civil Procedure 23(c) and (e), and the Due Process Clause of the United States Constitution. The Court further finds that the Class Notice is written in plain language, uses simple terminology, and is designed to be readily understandable by Class Members.

The Settlement Administrator and the Parties are directed to carry out the Class Notice provisions of Section 4 of the Agreement.

6. **Exclusion from Class.** Any Class Member who wishes to be excluded from the Settlement Class must mail a written notification of the intent to exclude herself or himself from the Settlement Class to the Settlement Administrator at the address and in the manner provided in the Class Notice. Requests for exclusion must meet the opt-out deadline established by this Order and stated in the Court-approved Class Notice.

7. **Class Action Fairness Act Notice.** Within 10 days after the filing of the motion to permit issuance of notice, the Settlement Administrator shall serve or cause to be served a notice of the proposed Settlement on appropriate officials in accordance with the requirements under the Class Action Fairness Act (“CAFA”), 28 U.S.C. § 1715(b).

8. **Fairness Hearing.** A Fairness Hearing shall be held on [REDACTED], 2021, at [REDACTED] .M. at the United States District Court for the Western District of Texas at 655 E. Cesar E. Chavez Blvd., San Antonio, Texas 78206, either in-person or by telephone or video, to

determine, among other things, whether: (a) this matter should be finally certified as a class action for settlement purposes pursuant to Fed. R. Civ. P. 23(b)(3) and (e); (b) the Settlement should be approved as fair, reasonable and adequate, and finally approved pursuant to Fed. R. Civ. P. 23(e); (c) this case should be dismissed with prejudice pursuant to the terms of the Agreement; (d) Settlement Class Members should be bound by the releases set forth in the Agreement; (e) the application for Class Counsel's Fees and Expenses should be approved pursuant to Fed. R. Civ. P. 23(h); and (f) the application for Plaintiff's Service Award should be approved.

9. **Objections and Appearances.** Any Settlement Class Member may appear and explain why the proposed Settlement of this case should or should not be approved as fair, reasonable, and adequate, why a judgment should or should not be entered, why Class Counsel's Fees and Expenses should or should not be awarded, or why Plaintiff's Service Award should or should not be awarded; provided, however, that no Settlement Class Member or any other person shall be heard or entitled to contest such matters unless he or she has complied with the deadline established by this Order and the requirements for objections set forth in the Court-approved Class Notice. Any Settlement Class Member who does not make his or her objection in the manner provided shall be deemed to have waived any objection and shall forever be foreclosed from objecting to the fairness or adequacy of the proposed Settlement, or to the award of Class Counsel's Fees and Expenses or Plaintiff's Service Award, unless otherwise ordered by the Court.

10. **Continuance of Hearing.** The Court reserves the right to adjourn or continue the Fairness Hearing and related deadlines without further mailed notice to the Settlement Class. If the Court alters any of those dates or times, the revised dates and times shall be posted on the

website maintained by the Settlement Administrator. The Court may approve the Settlement, with such modifications as may be agreed by the Parties, if appropriate, without further notice to the Settlement Class.

11. **Schedule and Deadlines.** The Court orders the following schedule for the specified actions and further proceedings:

EVENT	TIMING
Deadline for Settlement Administrator to disseminate CAFA notices	[INSERT DATE – 10 days from filing of motion to issue notice]
Deadline for USAA Life to provide Notice List to Settlement Administrator	[14 days after order permitting issuance of Class Notice]
Deadline for the Settlement Administrator to mail Court-approved Class Notice to Settlement Class	[45 days after order permitting issuance of Class Notice]
Deadline for Class Counsel to file motion for final approval of Settlement and motion for Class Counsel's Fees and Expenses and Plaintiff's Service Award	[14 days after the Notice Date]
Objection deadline	[35 days after Notice Date]
Opt-out deadline	[35 days after Notice Date]
Deadline for Class Counsel to file with the Court all objections served on the Settlement Administrator	[5 days after objection deadline]
Deadline for responses to any timely objections	Anytime prior to the Fairness Hearing
Fairness Hearing	[No earlier than 90 days after CAFA notices disseminated]

Dated: _____

Orlando L. Garcia
Chief United States District Judge