

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.usaacoisettlement.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.

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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.usaacoisettlement.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.usaacoisettlement.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.usaacoisettlement.com or by calling 1-888-392-1061.

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 Rate scales if worsening mortality expectations are not a material or primary reason for the increase. The Settlement Agreement is available at www.usaacoisettlement.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 *Spegele v USAA*, c/o Analytics Consulting LLC, P.O. Box 2007, Chanhassen, MN 55317-2007, postmarked no later than August 5, 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 Spegele v USAA, c/o Analytics Consulting LLC, P.O. Box 2007, Chanhassen, MN 55317-2007, postmarked no later than August 5, 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 1:30 p.m. on August 26, 2021, 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.usaacoisettlement.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

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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.usaacoisettlement.com. You may also send your questions to the Settlement Administrator, in writing, at Spegele v USAA, c/o Analytics Consulting LLC, P.O. Box 2007, Chanhassen, MN 55317-2007 or call the Settlement Administrator at 1-888-392-1061. You can review the Court's docket in this case at www.pacer.gov.

If your address has changed or will change, please notify the Settlement Administrator by August 5, 2021.

DATE: July 1, 2021