

IN THE CIRCUIT COURT OF BARBOUR COUNTY, ALABAMA  
EUFAULA DIVISION

MOSES ERKINS,	)	
	)	
Plaintiff,	)	
	)	Civil Action No.: 2015-CV-900077
v.	)	
	)	
USAA LIFE INSURANCE COMPANY,	)	
	)	
Defendant.	)	

NOTICE OF CLASS ACTION, SETTLEMENT, FAIRNESS HEARING AND RIGHT TO APPEAR

*An Alabama court authorized this notice.*

*This is not a solicitation from a lawyer. You are not being sued.*

- This Notice was issued as a result of a proposed class action settlement reached in a lawsuit known as *Erkins v. USAA Life Insurance Co.*, Case No. 2015-CV-900077.
- The Court has allowed this lawsuit to proceed as a class action solely for the purposes of carrying out a settlement between the parties. To be a member of the settlement class, you must own or have owned certain Level Term 2, 2X or 3 Series term life insurance policies from USAA Life Insurance Company (“USAA Life” or “Defendant”).
- Settlement Class Members who submit timely and valid claims will receive the court-approved settlement benefit as described in Question 8 below and the Settlement Agreement between the parties. The Settlement Agreement can be obtained at [www.leveltermpolicysettlement.com](http://www.leveltermpolicysettlement.com).
- The settlement avoids costs and risks to class members from continuing the lawsuit, provides court-approved settlement benefits to Settlement Class Members who make valid and timely claims, and releases Defendant from liability.
- The two sides disagree on whether the class would recover anything if the case went to trial, and have agreed to settle rather than risk the uncertainty of trial.
- The Court still has to decide whether to approve the settlement. Settlement benefits will be provided only if the Court approves the settlement and after appeals, if any, are resolved. Please be patient.
- **Your legal rights are affected whether you act or not. These rights and options—and the deadlines to exercise them—are explained in this Notice, the Settlement Agreement and related papers, all of which can be seen at [www.leveltermpolicysettlement.com](http://www.leveltermpolicysettlement.com). READ THESE MATERIALS CAREFULLY!**

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
<b>SUBMIT A CLAIM FORM</b>	Receive the court-approved settlement relief as described in this Notice, the Settlement Agreement and related papers, all of which can be printed from <a href="http://www.leveltermpolicysettlement.com">www.leveltermpolicysettlement.com</a> .
<b>EXCLUDE YOURSELF</b>	Receive no settlement relief. This is the only option that allows you to ever be part of any other lawsuit against Defendant about the legal claims in this case.
<b>OBJECT</b>	Write to the Court if you think the settlement is unfair.
<b>GO TO A HEARING</b>	Ask to speak in Court about the fairness of the settlement.
<b>DO NOTHING</b>	Lose the opportunity to submit a claim for settlement relief if the settlement is approved by the Court. You will also be bound to the terms of the Settlement Agreement releasing the Defendant from the legal claims in this case.

**NOTE: If you are currently a USAA member, submitting this claim will have NO effect on your membership and will not reduce any other USAA benefits or services.**

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### BASIC INFORMATION

#### 1. Why did I receive this notice and claim form?

You were sent this notice and claim form because you own or owned a Level Term 2, Series 5.0, 5.1, 5.2, & 5.3; Level Term 2X, Series 6.0, 6.1, 6.2, & 6.3; or Level Term 3, Series 6.0, 6.1, 6.11, 6.2, 6.3, 6.4, 6.5, 6.6, & 6.7 term life insurance policy from USAA Life. If you did not own one of these policies, you cannot make a valid claim. If you did, you can submit the Claim Form.

The Court ordered this notice be sent to you because you have a right to know about a proposed settlement of a class action lawsuit, and about your options, before the Court decides whether to approve the settlement. If the settlement is approved, Defendant will provide the settlement benefit based upon the category you fall under as described in the answer to Question 8 below.

This notice explains the lawsuit, the settlement, your legal rights, what benefits are available, who is eligible for them, and how to receive them.

The Court in charge of the case is the Circuit Court of Barbour County, Alabama, Eufaula Division, and the case is known as *Erkins v. USAA Life Insurance Co.*, Civil Action No. 2015-CV-900077. The person who sued is called “Plaintiff,” and the company he sued, USAA Life, is called the “Defendant.”

#### 2. What is this lawsuit about?

The life insurance policies at issue provide a death benefit if the insured dies while the policy is in effect. As “term life” policies, they were not intended to provide any cash surrender or other investment or savings value for the policy owner. As provided in the policy, the death benefit remains the same for a set period of time – the “Level Benefit Period” -- after which the death benefit decreases each year. The policies also provide for level premium rates for a set period of time – the “Level Premium Period” – after which the premiums may increase. Depending on the policy, the Level Premium Period ranges from 5 years to 30 years.

Defendant did not increase premium rates on any of the policies at issue in this case before the end of the Level Benefit Period, but a premium increase has been planned to take effect after the Level Benefit Period.

The Plaintiff says the decision to increase premium rates on in-force policies after the end of the Level Benefit Period was based on factors other than those specifically allowed by the policies. In particular, Plaintiff alleges that the decision to increase premium rates was based on factors other than Defendant’s expectations about future mortality, expense and investment experience. Plaintiff also alleges that certain policies generated cash values for which some policyholders -- including certain policyholders who surrendered their policies before 2008 -- were not compensated. The Defendant denies it did anything wrong and believes its actions were permitted by the policies and complied with all laws.

**3. Why is this a class action?**

In a class action, one or more people, called Class Representatives (in this case Moses Erkins), sues on behalf of people who have similar claims. All these people are a Class or Class Members. One court resolves the issues for all Class Members, except for those who exclude themselves from the Class. Judge Burt Smithart is in charge of this class action.

**4. Why is there a settlement?**

The Court did not decide in favor of Plaintiff or Defendant. Instead, both sides agreed to a settlement. That way, they avoid the risk and cost of a trial, and the people affected will receive compensation. The Class Representative and the attorneys appointed by the Court to represent the Class think the settlement is fair for everyone in the Class.

**WHO IS IN THE SETTLEMENT**

To see if you will receive benefits from this settlement, you first have to determine whether you qualify as a Class Member. If you received a copy of this Notice, Defendant’s records indicate that you may be a Class Member.

**5. How do I know if I am a class member?**

Everyone who fits into one of the following descriptions is a Class Member:

- (1) People who own or owned a USAA Life Level Term 2, Series 5.0, 5.1, 5.2, & 5.3; Level Term 2X, Series 6.0, 6.1, 6.2, & 6.3; and Level Term 3, Series 6.0, 6.1, 6.11, 6.2, 6.3, 6.4, 6.5, 6.6, & 6.7 term life insurance policy at any time between January 1, 2008 and December 15, 2016.
- (2) Certain persons who owned a USAA Life Level Term 2, Series 5.0, 5.1, 5.2, & 5.3; Level Term 2X, Series 6.0, 6.1, 6.2, & 6.3; and Level Term 3, Series 6.0, 6.1, 6.11, 6.2, 6.3, 6.4, 6.5, 6.6, & 6.7 term life insurance policy, but the policy terminated before January 1, 2008.

**6. Who is excluded from the class definitions?**

Excluded from the Settlement Class are: (1) any person or entity that currently is in bankruptcy; (2) the Released Parties, their officers, directors, shareholders, employees, and agents, or any affiliate of the Released Parties, and each of their heirs, successors, or assigns; (3) Class Counsel and their employees; (4) any judge, justice, or judicial official, and any immediate family of any such judge, justice, or judicial official; (5) the staff of the judge presiding over this action; (6) for all categories other than Category B, Owners whose Policies: (i) terminated by reason of the death of the Policy Insured, (ii) entered waiver of premium status, (iii) were converted to permanent coverage before the Cutoff Date, or (iv) were not subject to a premium rate increase; (7) any person or entity who has previously released Defendant from any of the claims released in this settlement; and (8) all persons and entities that submit a timely and valid written request to be excluded from the Settlement Class. If an Owner owns more than one Policy, the Owner shall remain in the Settlement Class only with respect to Policies that are not excluded from the Settlement Class.

**THE SETTLEMENT BENEFITS—WHAT YOU CAN RECEIVE**

**7. What does the settlement provide?**

Defendant has agreed to provide Settlement Class Members who submit a valid and timely claim form either a two-year term certificate or a single payment of varying amounts, depending on the category the Eligible Settlement Class Member falls under. The categories are:

CATEGORY	Policy Characteristics
A	In-Force Policy still in the Level Benefit Period as of October 31, 2016
B	Policy Terminated after December 31, 2007, <u>and</u> Owner paid Additional Premium
C	In-Force Policy beyond Level Benefit Period <u>and</u> Owner has paid an Additional Premium
D	Policy Terminated after December 31, 2007 while still in the Level Benefit Period
E	Policies Designated by USAA as “Settlement Category E” Policies that terminated before January 1, 2008

**8. What can I receive from the settlement?**

The Defendant has agreed to provide additional written notice to all In-Force Policy Owners to inform them that their premium will increase after the Level Benefit Expiration Date. The Defendant is also agreeing not to conduct any additional re-pricing of the Policies for five years after the Effective Date of the settlement.

Class Members who submit a timely and valid claim form will receive the following relief, depending on which category they fall under:

CATEGORY	Policy Characteristics	Settlement Relief
A	In-Force Policy still in the Level Benefit Period as of October 31, 2016	A two-year Term Certificate with a death benefit payment equal to ten percent of the Policy's Face Amount as of October 31, 2016. The Term Certificate shall be subject to the terms and conditions listed on the certificate.  For in-force Level Term 2, 2X or 3 riders, Defendant shall also issue a two-year Term Certificate with a death benefit payment equal to ten percent of the term rider's Face Amount as of October 31, 2016.  If a Policy has multiple Owners, only one Term Certificate will be issued in the name of all Owners of that Policy.
B	Policy Terminated after December 31, 2007 <u>and</u> Owner paid Additional Premium	A single payment for an amount of forty (40%) percent of the Increased Premium Amount paid by the Eligible Settlement Class Member.
C	In-Force Policy beyond Level Benefit Period as of October 31, 2016 <u>and</u> Owner has paid Additional Premium	One of these two options:  1. A two-year Term Certificate with a death benefit payment equal to ten percent of the Policy's Face Amount as of October 31, 2016. The Term Certificate shall be subject to the terms and conditions listed on the certificate.  2. A single payment for forty (40%) percent of the Increased Premium Amount paid by the Eligible Settlement Class Member.  The Class Member must choose one of these two options when submitting his or her claim form.
D	Policy Terminated after December 31, 2007 while still in the Level Benefit Period	A single payment of \$100.
E	Policies Designated by Defendant as "Settlement Category E" Policies that terminated prior to January 1, 2008	A single payment of \$100.

**HOW YOU RECEIVE THE SETTLEMENT BENEFITS — SUBMITTING A CLAIM FORM****9. How can I receive the settlement benefits?**

To receive any benefits provided by the settlement, you must complete and mail the Claim Form included with this Notice or downloaded from [www.leveltermpolicysettlement.com](http://www.leveltermpolicysettlement.com). Read the Claim Form instructions carefully. Fill out the form. Sign the form. Mail it no later than the date indicated on the form.

**10. When would I receive the benefits, including any payment I may be entitled to?**

The Court will hold a final hearing on April 3, 2017, to decide whether to approve the settlement. If the Court approves the settlement and if there are objectors, it is possible for there to be an appeal. Payments will not be made until the settlement is approved by the Court and by any appeals court, if there is an appeal. Please be patient.

**11. What am I giving up to receive a payment or to stay in the Class?**

Unless you exclude yourself, you are staying in the Class, and that means you cannot sue, continue to sue, or be part of any other lawsuit against Defendant about the legal issues in this case. It also means the Court's orders will apply to you. You also agree to release all claims against Defendant, including all claims asserted in this litigation and all claims for any alleged failure to comply with any law, regulation, actuarial guidelines or the terms of any Policy. However, if you have a claim over the payment or non-payment of death benefits, this settlement and release will not affect that claim.

With respect to all released claims, settlement class members agree that they are expressly waiving to the fullest extent permitted by law (a) the provisions, rights, and benefits conferred by Section 1542 of the California Civil Code, which provides:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**

and (b) any law of any state of the United States, federal law, or principle of common law, which is similar to Section 1542 of the California Civil Code.

### EXCLUDING YOURSELF FROM THE SETTLEMENT

If you do not want a benefit from this settlement, but you want to keep the right to sue or continue to sue Defendant on your own about the legal issues in this case, then you must take steps to get out. This is called excluding yourself from – or is sometimes referred to as opting out of – the settlement.

#### 12. How do I get out of the settlement?

To exclude yourself from the settlement, you must mail a letter saying that you want to be excluded from the case known as *Erkins v. USAA Life Insurance Co.*, Civil Action No.: 2015-CV-900077, Circuit Court of Barbour County, Alabama (Eufaula Division). Be sure to include your name, address, telephone number, and your signature. You must mail your exclusion request by March 3, 2017, to:

**USAA Life Level Term Policy Settlement  
PO Box 2569  
Faribault, MN 55021-9569**

You cannot exclude yourself by phone or e-mail. If you exclude yourself, you will not receive any settlement benefits and you cannot object to the settlement. You will not be legally bound by anything that happens in this lawsuit. You may be able to sue (or continue to sue) Defendant in the future. If you have multiple policies with Defendant, then you need to list each policy that you wish to exclude in your exclusion request.

#### 13. If I do not exclude myself, may I sue Defendant for the same thing later?

No. Unless you exclude yourself, you give up the right to sue Defendant for the claims that this settlement resolves. If you have a pending lawsuit, speak to your lawyer in that lawsuit immediately. You must exclude yourself from this Class to continue your own lawsuit. Remember, the exclusion deadline is March 3, 2017.

#### 14. If I exclude myself, can I receive money from this settlement?

No. If you exclude yourself, you may not submit a Claim Form to ask for a two-year Term Certificate or any money.

### THE LAWYERS REPRESENTING YOU

#### 15. Do I have a lawyer in this case?

Robert G. Methvin, Jr., James M. Terrell, P. Michael Yancey and Rodney E. Miller of McCallum, Methvin & Terrell, P.C. in Birmingham, Alabama represent you and other Class Members in this case. These lawyers are called Class Counsel. If you want to be represented by your own lawyer, you may hire one at your own expense.

#### 16. How will the lawyers be paid?

Class Counsel will ask the Court for reimbursement of attorneys' fees and expenses up to \$4,500,000. Class Counsel will also ask the Court to award the named Plaintiff an incentive award of \$12,500 for his time and effort in pursuing this class action. The amount of any attorneys' fees, expenses and class representative incentive payment awarded by the Court **will not** reduce the benefit you are eligible to receive under the settlement. Defendant has agreed to pay these fees and expenses **in addition to** the benefits provided under the settlement. Defendant will also pay the costs to administer the settlement.

### OBJECTING TO THE SETTLEMENT

You can tell the Court that you do not agree with the settlement or some part of it.

#### 17. How do I tell the Court that I do not like the settlement?

If you are a Class Member, you may object to the settlement if you do not like any part of it. You can give reasons why you think the Court should not approve it. The Court will consider your views. To object, you must send a written statement saying that you object to the settlement in *Erkins v. USAA Life Insurance Co.*, Civil Action No.: 2015-CV-900077, Circuit Court of Barbour County, Alabama (Eufaula Division). Your objection shall contain a caption or title that identifies it as "Objection to Class Settlement in Erkins v. USAA Life Insurance Company" and shall also contain the following information: (a) the objecting party's name, Policy number, address, and telephone number, and the original signature of the Settlement Class Member or his or her Authorized Representative; (b) a copy of the Settlement Class Member's Policy; (c) if the objecting party chooses to appear at the hearing, a notice of intention to appear, either in person or through an attorney, listing the name, address, and telephone number of the attorney, if any, who will appear; (d) a certification that the objecting party is a member of the Settlement Class; (e) a statement of each objection asserted; (f) a description of the facts underlying each objection; (g) a description of the legal authorities, if any, supporting each objection; (h) any exhibits or affidavits the objecting party may offer in support of any objection; (i) a list of other cases in which the Settlement Class Member has appeared as a settlement objector (and, if the Settlement Class Member is represented by any attorneys in connection with the objection, a list of other cases in which the attorneys have appeared as counsel for objectors) in the preceding ten years; and (j) if the objecting party is represented by an attorney or attorneys in connection with the objection, the signature of each of the objecting party's attorneys below a statement that "No other attorney has a financial interest, either directly or indirectly, in the representation of this objecting party."

For your objection to be considered by the Court, it must be delivered to these *three different places* no later than March 3, 2017. It is your responsibility to confirm that any objection you make is timely received by each of the following:

COURT	CLASS COUNSEL	DEFENDANT'S COUNSEL
<p>Clerk of the Court Circuit Court of Barbour County, Alabama <i>Erkins</i> Level Term Policy Settlement 303 E. Broad Street #201 Eufaula, Alabama 36027</p>	<p>Robert G. Methvin, Jr. James M. Terrell P. Michael Yancey Rodney E. Miller McCallum, Methvin &amp; Terrell, P.C. 2201 Arlington Avenue South Birmingham, AL 35205</p>	<p>Michael D. Mulvaney Thomas J. Butler Maynard, Cooper &amp; Gale, P.C. 1901 Sixth Avenue North Regions Harbert Plaza Suite 2400 Birmingham, Alabama 35203-2618</p>

**18. What is the difference between objecting and excluding myself from the class?**

Objecting is simply telling the Court that you do not like something about the settlement. You can object only if you wish to stay in the Class. Excluding yourself is telling the Court that you do not want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you and you will not receive the benefits of the settlement. If you object, you can still submit a Claim Form; if you exclude yourself, you cannot.

**THE COURT'S FINAL APPROVAL HEARING**

The Court will hold a hearing to decide whether to approve the settlement. You may attend and you may ask to speak, but you do not have to.

**19. When and where will the Court decide whether to approve the settlement?**

The Court will hold a Final Approval Hearing at 1:00 p.m. on Monday, April 3, 2017. At this hearing, the Court will consider whether the settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. The Court 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 this decision will take.

**20. Do I have to come to the hearing?**

No. Class Counsel will answer any questions the Court may have. But, you are welcome to come at your own expense. If you send an objection, you do not have to come to court to talk about it. As long as you delivered and confirmed that your written objection was received on time, the Court will consider it. You may also pay your own lawyer to attend, but that is not required.

**21. May I speak at the hearing?**

You may ask the Court for permission to speak at the Final Approval Hearing. To do so, you must send a letter saying it is your "Notice of Intention to Appear in *Erkins v. USAA Life Insurance Co.*, Civil Action No.: 2015-CV-900077 in the Circuit Court of Barbour County, Alabama (Eufaula Division). Be sure to include your name, address, telephone number, and signature. Your Notice of Intention to Appear must be delivered no later than March 3, 2017, and be sent to the Clerk of the Court, Class Counsel, and Defendant's Counsel, at the addresses in Section 17. You cannot speak at the hearing if you have excluded yourself.

**IF YOU DO NOTHING**

**22. What happens if I do nothing at all?**

If you do nothing, you'll get no benefits or money from this settlement. The only way to get benefits or money is to submit a valid and timely Claim Form. The Defendant will still be required to provide information to you about the premium increase and may not conduct any additional repricing of your policy within the five years following the settlement Effective Date.

Also if you do nothing, and unless you exclude yourself, you will be bound to the terms of the settlement agreement releasing the Defendant from the legal claims in this case and you won't be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against Defendant about the legal issues in this case, ever again.

**NOTE: If you are currently a USAA member, submitting this claim will have NO effect on your membership and will not reduce any other USAA benefits or services.**

**OBTAINING MORE INFORMATION**

**23. How can I find more details about the settlement?**

This notice summarizes the proposed settlement. You can see the full Settlement Agreement by visiting [www.leveltermpolicysettlement.com](http://www.leveltermpolicysettlement.com) or by contacting the Settlement Administrator at 1-800-711-7362.

**PLEASE DO NOT CALL USAA LIFE, THE COURT OR THE COURT'S CLERK'S OFFICE TO INQUIRE ABOUT THIS SETTLEMENT OR THE CLAIM PROCESS.**

DATE: December 21, 2016.