

**IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA  
COUNTY OF LOS ANGELES**

DIANE V. SANCHEZ, on behalf of herself  
and all others similarly situated,

Plaintiff,

vs.

ALLIANZ LIFE INSURANCE COMPANY  
OF NORTH AMERICA, and DOES 1-60,  
inclusive,

Defendants.

Case No.: BC594715

**SETTLEMENT AGREEMENT**

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IT IS HEREBY STIPULATED AND AGREED, by, between and among plaintiffs and class representatives Diane Sanchez and Jules Confino, individually and on behalf of the Settlement Class defined in this Settlement Stipulation (collectively, "Plaintiffs"), on the one hand, and Allianz Life Insurance Company of North America ("Allianz Life"), on the other, through their duly-authorized counsel, that the lawsuit in the Los Angeles County Superior Court captioned *Diane Sanchez v. Allianz Life Insurance Company of North America*, Case No.: 594715 (Superior Court, Los Angeles County) (the "Action"), and all of the matters raised, or which could have been raised, by and/or related to the Action, are fully and finally settled, compromised, and dismissed on the merits, and with prejudice, on the terms and conditions set forth in this Settlement Agreement and the exhibits hereto (the "Settlement" or "Agreement") and the release set forth herein, subject to Court approval.

## **I. RECITALS AND BACKGROUND**

### **A. The Action**

1. This Action was originally filed on September 15, 2015, by Diane V. Sanchez, asserting claims for breach of contract, violations of California's Unfair Competition Law ("UCL") §17200, and for related declaratory relief on behalf of a putative class of owners and beneficiaries of certain Allianz Life-issued fixed annuity contracts characterized as "two-tier" because they had two separate contract values: a Cash Value, available to owners on surrender, and an Annuitization Value, available to owners only if they elected an annuitization payout of ten or more years and the annuitization occurred after five years from the effective date of issuance of the annuity.

2. In all of the iterations of the Complaint filed in this Action, Plaintiffs' allegations focused on (1) Allianz Life's use of a component formula sometimes referred to as "the expense

recovery adjustment" or the "haircut" in calculating nonguaranteed annuitization payments and (2) the annuity contract provisions governing full and partial surrender transactions. Plaintiffs alleged that, when an annuitization occurred within ten years after the effective date of issuance of an Annuity, Allianz Life's use of the expense recovery adjustment calculation in its determination of annuitization payments greater than guaranteed under the Annuity either reduced the Annuitization Value of the Annuity or reduced the annuitization payments in violation of contractual promises. Plaintiffs also pursued other related allegations of breach concerning annuitization, including that Allianz Life's calculation of such annuitization payments breached contractual promises concerning "purchase rates." With respect to surrenders and partial surrenders of the Annuities, Plaintiffs alleged that Allianz Life's Annuities obscured or did not properly disclose alleged penalties or other consequences associated with full surrenders or partial surrenders, including the alleged loss of a bonus that Plaintiffs asserted should have been included in the Cash Value of the Annuity contracts, that the contracts did not comply with various provisions of California statutes, including Cal. Civ. Code §§ 1442 and 1671 and Cal. Ins. Code § 10127.13, and that the alleged penalties and surrender provisions were onerous and constituted forfeitures or impermissible penalties and/or were unenforceable under other legal doctrines.

3. On February 21, 2018, the Court granted leave to add Jules Confino and Doreen Confino as named plaintiffs, but only as to claims for declaratory relief. The First Amended Complaint was filed on February 22, 2018. On August 5, 2019, the Court entered a Stipulation and Order allowing the filing of a Second Amended Complaint ("SAC"), the current operative complaint, in which Diane Sanchez asserted breach of contract and declaratory relief claims relating to a partial surrender taken from one annuity and the subsequent annuitization of her

annuities. In the SAC, Jules Confino added claims for breach of contract relating to his 2018 full surrenders of two Allianz Life fixed annuities and asserted claims for declaratory relief concerning another annuity that he held in deferral.

4. Plaintiffs moved for class certification, appointment of Class Counsel, and appointment of Jules Confino and Diane Sanchez as class representatives on August 29, 2019. (The Court later permitted Doreen Confino to withdraw as a proposed class representative but remain as a putative class member). Allianz Life opposed that motion on November 22, 2019. Plaintiffs filed a reply brief on December 20, 2019. On June 29, 2020, the Court held a hearing on Plaintiffs' motion for class certification.

5. On July 20, 2020, the Court granted Plaintiffs' motion and certified Plaintiffs' breach of contract and related declaratory relief claims. In October 2020, it approved the mailing of the Class Notice to class members after requiring several changes to the content of the notice proposed by Plaintiffs.

6. The Class Notice was initially mailed on October 30, 2020 to 26,839 class members. Supplemental mailings occurred in January and March 2021. The class administrator received a total of 37 valid requests to opt-out.

7. During the pendency of this Action, Class Counsel have conducted an extensive examination and evaluation of the relevant facts and law to assess the merits of the Plaintiffs' claims and potential claims and to determine how best to serve the interests of Plaintiffs and the Class. Class Counsel have carefully considered the merits of Plaintiffs' claims and the defenses raised by Allianz Life to those claims.

8. At the time that the Parties reached an agreement in principle to settle this Action, the Parties had fully briefed Allianz Life's motion for summary judgment and/or adjudication, which sought judgment in Allianz Life's favor with respect to all claims in the Action.

**B. Negotiations and Agreement to Settle**

9. The Class Representatives, through Class Counsel, and their experts have conducted a thorough investigation of the facts relating to the claims asserted in the Action, and Class Counsel have evaluated the relevant law and facts to assess the merits of Plaintiffs' claims and Allianz Life's potential defenses, and the likelihood of success at trial. Class counsel's investigation has been adequate, and this Settlement is fully informed.

10. Allianz Life has confirmed that all Settlement Annuities that were still active as of the Annuity Status Date were issued more than ten full years before the Annuity Status Date and thus the expense recovery adjustment calculation will not have any mathematical impact on the calculation of any future nonguaranteed annuitization benefits of Settlement Annuities that may later be annuitized.

11. After more than six years of investigation, discovery and litigation, the Parties have agreed to settle the Action, and all of the matters raised, or which could have been raised, by and/or related to the Action. The Parties mediated with Robert Kaplan, Esq., an experienced and well-respected private mediator with Judicate West. The Parties have conducted discussions and arm's length negotiations with each other regarding the claims asserted in the Action over a lengthy mediation session followed by numerous telephone calls and other communications involving Mr. Kaplan.

12. The Class Representatives and Class Counsel agree that this Agreement is fair, reasonable and adequate because it provides substantial benefits to the Class, is in the best

interests of the Class, and fairly resolves the claims alleged in this Action, and all of the matters raised, or which could have been raised, by and/or related to, the Action. The Class Representatives further recognize and acknowledge the expense and time of prosecuting the Action through trial and appeal. Class Representatives and Class Counsel also have considered the uncertain outcome and the risk of any further litigation, including the risk that the Class might obtain no relief, especially in a complex action such as this one, as well as the difficulties and delays inherent in any complex litigation.

**C. Allianz Life's Denials of Wrongdoing and Liability**

13. Allianz Life expressly denies each and every claim and contention alleged or otherwise pursued against it by Plaintiffs in the Action. Allianz Life denies all allegations of wrongdoing or liability against it arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Action. Allianz Life also denies that Plaintiffs' theories of damages expressed in any of their pleadings, filings, or Net Settlement Fund Distribution Plan are cognizable or predicated on a valid interpretation of the terms of the Settlement Annuities.

14. Allianz Life nonetheless considers it desirable for the Action to be settled and resolved, because the settlement will: (i) provide substantial benefits to Allianz Life's annuity owners; (ii) confer benefits on Allianz Life, including the avoidance of further expense and disruption of the management and operation of Allianz Life's business due to the pendency and defense of the Action; (iii) finally put the claims and the underlying matters to rest; and (iv) avoid the substantial expense, burdens, and uncertainties associated with continuing the Action.



**D. Benefits of the Settlement to the Settlement Class**

15. The Class Representative and Class Counsel believe that the Settlement provides fair, reasonable and adequate recovery for the Class based on the rulings by the Court in the Action, the claims asserted, and the evidence developed and what might be proven by the Class Representative and the Class, and by Allianz Life, in the Action.

16. Class Representative and Class Counsel further recognize and acknowledge the expense and time of prosecuting the Action through trial and appeal. Class Representative and Class Counsel also have considered the uncertain outcome and the risk of any litigation, including the risk that the Class might obtain no relief, especially in a complex action such as this one, as well as the difficulties and delays inherent in any complex litigation.

**THEREFORE**, it is stipulated and agreed by and among the Parties to this Agreement, through their respective attorneys, in consideration of the benefits to the Parties from the Settlement, the adequacy of which is acknowledged by the Parties, and subject to (1) approval of the Court, and (2) the other conditions set forth in this Agreement, that the Released Claims against the Released Parties will be finally and fully compromised, settled, and released.

**II. DEFINITIONS**

17. In addition to the definitions set forth elsewhere in this Agreement, the following capitalized terms used in this Agreement will have the meanings specified below only for the purposes of this Agreement.

a. "Action" means the lawsuit pending in the Los Angeles County Superior Court captioned *Diane Sanchez v. Allianz Life Insurance Company of North America*, Case No.: 594715 (Superior Court, Los Angeles County), including the Complaint as originally filed and as

amended from time to time and all allegations that were made therein or otherwise asserted or could have been asserted by Plaintiffs during the course of the Action.

b. "Active Deferred Settlement Annuity" means a Settlement Annuity that, as of the Annuity Status Date, has (a) not been fully surrendered, (b) not been partially or completely Annuitized, and (c) not become eligible for death benefits, except if the Settlement Annuity was continued in effect by the surviving spouse.

c. "Agreement" means this document, including all exhibits hereto.

d. "Allianz Life" means Allianz Life Insurance Company of North America, or, collectively, Allianz Life Insurance Company of North America and LifeUSA Insurance Company.

e. "Allianz Life's Counsel" means the law firms of Faegre Drinker Biddle & Reath and Carlton Fields, PA, and their shareholders, members, partners, associates, paralegals and employees.

f. "Annuitization Value" has the same meaning assigned to that term in the Settlement Annuity contract.

g. "Annuitized Settlement Annuity" means:

- i. An Annuity as to which the Current Owner(s) elected to annuitize the Annuitization Value between September 15, 2011 and the Annuity Status Date if such annuitization occurred within 10 years after the Settlement Annuity's effective date of issuance. An Annuity in which the Current Owner elected to take Annuity Option D, referred to in the Annuity as "Benefit Deposited With Interest," is not an Annuitized Settlement Annuity under this Agreement because the expense

recovery adjustment calculation is not incorporated in the payout calculations for Option D.

- ii. A Death Benefit election by a Beneficiary that occurred between September 15, 2011 and the Annuity Status Date if and to the extent (a) the Beneficiary elected to take the Death Benefit as the Annuitization Value in equal periodic installments over 5 or more years and (b) such election was made within 10 years after the Settlement Annuity's effective date of issuance. For purposes of this Agreement only, when there are multiple Beneficiaries of a Settlement Annuity, such a Death Benefit election shall be treated as an Annuitized Settlement Annuity only as to the portion of the Death Benefit to which the annuitizing Beneficiary was entitled under the Annuity.

h. "Annuity" or "Annuities" means a fixed deferred annuity issued in California by Allianz Life if the annuity was one of the following product types: Bonus Maxxxx (including all versions of that product type), BonusDex, Bonus Maxxxx Elite, BonusDex Elite, 10% Bonus PowerDex Elite or MasterDex 10. When used to refer to an Annuity contract, these terms include the base annuity contract issued by Allianz Life, including any riders, schedules, endorsements and other forms specifically made a part of the contract at the time of its issue, plus any riders, endorsements, addendums and amendments to the contract issued by Allianz Life thereafter. Annuity also means an Annuity Option Agreement with respect to Annuitized Settlement Annuities.

i. "Annuity Option Agreement" means the contract containing the terms of an Owner's annuitization of an Annuity or a Beneficiary's election to take a periodic payment of the Death Benefit.

j. "Annuity Status Date" means March 31, 2022 at 11:59 p.m. Central Daylight Time.

k. "Beneficiary" and "Beneficiaries" means the person or persons who were designated as beneficiaries of a Settlement Annuity when the Owner's death occurred and were entitled to receive all or a part of the Death Benefit under the terms of the Settlement Annuity. No one may provide directions on behalf of or succeed to the rights of a deceased Beneficiary other than as provided in this Agreement, the Annuity, or applicable law. If there is a conflict between beneficiary designations made pursuant to an Annuity and the requirements of applicable law, the requirements of applicable law control.

l. "Cash Value" means the amounts paid or payable upon full surrender of the Settlement Annuity, according to Allianz Life's business records. The Settlement Annuity contracts may refer to this value as "Cash Value," "Surrender Value," or some other similar term.

m. "Certified Class" means the following persons and annuities the Plaintiffs defined as the Class in their Second Amended Complaint, which the Court certified pursuant to its July 20, 2020 Order and who did not submit a timely request to be excluded from the Class:

All California owners (or their designated beneficiaries on death claims) of the following Allianz Life Insurance Company of North America annuities who at any time from September 15, 2011 to the present either (1) received an annuity (or death benefit) payment that was calculated with an expense recovery adjustment, or (2) incurred a surrender penalty or charge in connection with a full or partial surrender: BonusMaxxx,

BonusMaxxx Elite, BonusDex, BonusDex Elite, 10% Bonus PowerDex, and MasterDex 10.

All California owners of the following annuities issued by Allianz Life Insurance Company of North America that are currently in deferral: BonusMaxxx, BonusMaxxx Elite, BonusDex, BonusDex Elite, 10% Bonus PowerDex, and MasterDex 10.

Excluded from these classes are the annuities that were the subject of the settlements in *Iorio, et al. v. Allianz Life Insurance Company of North America*, U.S.D.C. (S.D. Cal.) Case No. 05-cv-0633 JLS and *Negrete v. Allianz Life Ins. Co. of No. Am.* (C.D. Cal.) Case Nos. CV 05-06838 CAS (MANx), CV 05-8908 CAS (MANx).

n. "Class Action Settlement Notice" means the Notice of Proposed Settlement of Class Action and Final Approval Hearing" substantially in the form attached as Exhibit 1 hereto.

o. "Class Counsel" means the attorneys appointed by the Court to represent the Class in this Action: the law firms Gianelli & Morris and the Law Offices of Ronald A. Marron, and their shareholders, members, partners, associates, paralegals, and employees.

p. "Class Member" means a member of the Certified Class.

q. "Class Notice" means the class notice approved by the Court in October 2020, and distributed by KCC Class Action Services to members of the Certified Class.

r. "Class Representatives" means Plaintiffs Diane V. Sanchez and Jules Confino, in their capacities as individuals and as representatives of the Class, and their Related Parties.

s. "Complaint" means the original Complaint filed to commence this Action, the First Amended Complaint, and the Second Amended Complaint, collectively and individually.

t. "Court" means the court before which this Action is pending.

u. "Current Owner" and "Current Owners" means the following:

- i. As to an Active Deferred Settlement Annuity, the person or persons listed in Allianz Life's corporate records as the Owner(s) of the Settlement Annuity as of the Annuity Status Date;
- ii. As to an Annuitized Settlement Annuity described in Paragraph 17.g.i, the person or persons listed in the Annuity Option Agreement as the annuitant (or if that annuitant is no longer living on the Annuity Status Date and the payments under the Annuity Option Agreement have not terminated as of the Annuity Status Date, the designated beneficiary under the Annuity Option Agreement);
- iii. As to a Surrendered Settlement Annuity described in Paragraph 17.ww.i, the person or persons listed in Allianz Life's business records as the Owner(s) as of the date of surrender.

v. "Day" means a single calendar day.

w. "Death Benefit" means the contractually defined death benefit under a Settlement Annuity, where the Owner has died and the Settlement Annuity has not been continued in deferral by the Owner's spouse.

x. "Effective Date" means the first day following the date all of the following events have occurred:

- i. Entry of the Preliminary Approval Order;
- ii. Approval by the Court of the Settlement following distribution of the Class Action Settlement Notice and a Final Approval Hearing and entry of Judgment; and
- iii. Final Approval.

y. "Execution Date" means the date on which this Agreement is fully executed by the Class Representatives, Allianz Life, and counsel for both Parties.

z. "Final Approval Hearing" means the hearing held by the Court to approve the Settlement.

aa. "Final Approval" means the earlier of (i) the expiration of the time for appeal or review of the Judgment or any part of the Judgment, including any form of further review or appeal, if no appeal or review is taken or (ii) if an appeal or review is taken and is unsuccessful, the date on which the appeal or review has been finally disposed of and the time for any further appeal or review has expired. If no Class Member has sought to intervene in the Action to assert an objection before entry of the Final Judgment, Final Approval will be the date on which the Court enters the Final Judgment.

bb. "Gross Settlement Amount" means nineteen million, eight-hundred and fifty thousand dollars (\$19,850,000.00), which is the amount Allianz Life shall be required to pay into the Settlement Fund.

cc. "Judgment" means the order and judgment, in the form attached hereto as Exhibit 2, which provides, among other terms, for final approval of the Settlement and final judgment; or such other form agreed to by the Parties in writing.

dd. "Net Settlement Fund" means the Gross Settlement Amount less (i) attorneys' fees and litigation expenses awarded to Class Counsel by the Court; and (ii) any service awards to the Class Representatives awarded by the Court; and (iii) the Settlement Administrative Expenses.

ee. "Owner" means any Person(s) having any legal or equitable ownership interest in a Settlement Annuity, including, where applicable, an annuitant, under the terms of the Settlement Annuity, agreement with Allianz Life, and/or applicable law. Initially, at the time of issuance of a Settlement Annuity, the Settlement Annuity purchaser is the Owner with respect to said Settlement Annuity. The Owner may change upon either the Owner's death or a transfer of ownership to another, in accordance with the terms of the Settlement Annuity, agreement with Allianz Life, and/or applicable law. There can be more than one concurrent Owner of a Settlement Annuity. A Beneficiary has ownership rights only upon the death of the Owner. Without limiting the foregoing, "Owner" shall include a surviving spouse and non-spouse Beneficiary who continues a Settlement Annuity in deferral, if such a continuation was elected and was permitted by the terms of the Settlement Annuity (or Allianz Life has otherwise agreed to permit such a continuance).

ff. "Parties" means Allianz Life and Plaintiffs.

gg. "Parties' Counsel" means Class Counsel and Allianz Life's Counsel.

hh. "Penalty-Incurring Partial Surrender" means a withdrawal from an Annuity that occurred between September 15, 2011 and the Annuity Status Date that did not meet the requirements of a penalty-free withdrawal under the terms of the Annuities but it does not mean a withdrawal required to be taken as a Required Minimum Distributions under the Internal Revenue Code.



ii. "Person" includes individuals and entities, including but not limited to trusts, as may be appropriate in the context in which the term is used.

jj. "Plaintiffs" means the Class Representatives and all Settlement Class Members.

kk. "Preliminary Approval Order" means the Order Preliminarily Approving Settlement and Providing for Notice, substantially in the form attached as Exhibit 3.

ll. "Related Parties" means a party's or Settlement Class Member's current, former, and future spouses, estates, heirs, assigns, beneficiaries, executors, administrators, trusts, trustees, predecessors, successors, parent organizations, subsidiaries, affiliates, partners, joint venturers, officers, directors, shareholders, employees, members, managers, trustees, agents, appointed agents, representatives, attorneys, and any persons designated as annuitants under a Settlement Annuity.

mm. "Released Parties" means Allianz Life and its Related Parties.

nn. "Released Claims" means any and all claims, complaints, causes of action, allegations of liability, damages, restitution, interest, demands or rights, that reasonably arise out of or relate to the facts, events, transactions or circumstances that were alleged against Allianz Life in the Complaint or pursued in the Action, under any legal theory or construct including a request for declaratory relief. Released Claims includes any future claims, complaints, causes of action, allegations of liability, damages, restitution, interest, demands or rights, that that may accrue upon a surrender or annuitization of an Active Deferred Settlement Annuity occurring after the Annuity Status Date if they reasonably arise out of or relate to the facts, events, transactions or circumstances that were alleged against Allianz Life in the Complaint or pursued in the Action, under any legal theory or construct, including a request for declaratory relief.

Released Claims include but are not limited to any of the following subject matters, all of which were alleged and pursued in the Action:

- i. The disclosure, nondisclosure or defective disclosure of information required by the California Insurance Code, including but not limited to Cal. Ins. Code § 10127.13, relating to surrender charges or penalties, prior to or in connection with the sale, issuance, or delivery of a Settlement Annuity.
- ii. The amount or disclosure, nondisclosure or defective disclosure, or calculation of any claimed charge, fee, penalty, or reduction, including an alleged loss of a bonus, associated with the partial or full surrender of a Settlement Annuity, or with the election by a Beneficiary of a Settlement Annuity to take the Death Benefit in the form of a lump sum payment, including but not limited to claims based on Cal. Civ. Code §§ 1442 and 1671;
- iii. The amount or disclosure, nondisclosure or defective disclosure of any claimed charge, fee, penalty or reduction associated with Allianz Life's determination or calculation of annuitization payments in excess of the minimum payments guaranteed under each Settlement Annuity;
- iv. Allianz Life's alleged failure to provide, or calculation of, a bonus credit to the Annuitization Value or Cash Value of the Settlement Annuity, or the disclosure, nondisclosure or defective disclosure thereof; and/or

v. Allianz Life's selection, declaration, determination or calculation of annuitization interest rates or purchase rates in connection with the annuitization of the Settlement Annuities.

oo. "Settlement" means the aggregate of transactions, rights, obligations, conditions, Release, and other matters contemplated by, described in or provided by this Agreement.

pp. "Settlement Administrative Expenses" means the fees and expenses of the Settlement Administrator in effectuating and administering the Settlement, including the cost of providing and mailing/remaining the Class Action Settlement Notice, receiving and processing objections, requests for exclusion and statements of dispute, sending postcards to Settlement Class Members who owned Active Deferred Annuities that identify the date by which they must surrender to obtain the benefits set forth in Section III.C herein, administering and disbursing the Settlement Checks and the fees of the Settlement Administrator, issuing appropriate tax reporting forms, and escheatment costs associated with transferring the amounts of the uncashed Settlement Checks to the California State Controller's Office (or other government entity designated under the California's unclaimed property law statutes).

qq. "Settlement Administrator" means KCC Class Action Services, LLC, ("KCC") or another settlement administrator approved by the Court in the Preliminary Approval Order.

rr. "Settlement Annuity" means an Annuity issued by Allianz Life to a Settlement Class Member that provides a basis for the Settlement Class Members' inclusion in the Settlement Class and is not subject to any Settlement Class Exclusion.

ss. "Settlement Check" or "Settlement Checks" means the check(s) containing the sum that each Settlement Class Member(s) is entitled to receive from the payment from the Net Settlement Fund under this Settlement Agreement and the approved Distribution Plan.

tt. The "Settlement Class" is defined as follows, subject to the Settlement Class Exclusions:

- i. an Owner of an Annuity that, as of the Annuity Status Date, has not (a) been fully surrendered, (b) not been partially or wholly annuitized, (c) and not become eligible for death benefits, except if the Settlement Annuity was continued in effect by a surviving spouse of the Owner;
- ii. an Owner of an Annuity that was annuitized for the Annuitization Value between September 15, 2011 and the Annuity Status Date if such annuitization occurred within 10 years after the Settlement Annuity's effective date of issuance, unless the annuity option taken was Annuity Option D, referred to as "Benefit Deposited With Interest";
- iii. an Owner of an Annuity that was fully surrendered for the Cash Value of the Annuity between September 15, 2011 and the Annuity Status Date;
- iv. a Beneficiary of an Annuity who between September 15, 2011 and the Annuity Status Date elected to receive the Death Benefit either (a) in the form of a lump sum payment of the Cash Value or (b) in the form of equal periodic installments of the Annuitization Value over five or

more years if such election was made within 10 years after the Annuity's effective date of issuance; and/or

- v. an Owner of an Annuity that at any time from September 15, 2011 to the Annuity Status Date had a Penalty-Incurring Partial Surrender.

The Settlement Class definition in the Agreement is consistent with the Certified Class definition in the Court's Class Certification Order, but it is described in more detail and organized to align with how relief is being afforded and to reflect changes in status of Annuities since the Court's Certification Order. Some Annuities that were in active status at the time of the Court's Class Certification Order (and thus within the scope of the Class Certification Order) have since fallen out of the scope of Plaintiffs' allegations) because the policies were terminated in such a way that no claim could be asserted with respect to them. (For example, Plaintiffs' allegations about the expense recovery adjustment do not apply to annuities that were annuitized more than ten years after issuance. An Annuity that was in deferral when the Court certified a class was in the Certified Class. But if the Owner subsequently annuitized that Annuity more than 10 years after its effective issuance date and there were no Penalty-Incurring Partial Surrenders, the Owner would not have any claim or alleged damage.) In addition, the ownership interests in some Annuities subject to the Class Certification Order at the time of certification have since changed as a result of assignments, divorce transactions, and deaths. But the revised and more specific definition of the Settlement Class does not add any new underlying fixed deferred annuity policies to the class certified by the Court. Nor does it eliminate fixed deferred annuity policies that would still be subject to the allegations pursued by Plaintiffs in the Action.

uu. "Settlement Class Exclusions" means the following persons and/or

Annuities excluded from the Settlement Class and not eligible for benefits under this Settlement:

- i. Annuities that were the subject of the settlements in *Iorio, et al. v. Allianz Life Insurance Company of North America*, U.S.D.C. (S.D. Cal.) Case No. 05-cv-0633 JLS and *Negrete v. Allianz Life Ins. Co. of No. Am.* (C.D. Cal.) Case Nos. CV 05–06838 CAS (MANx), CV 05-8908 CAS (MANx);
- ii. Annuities that on the Annuity Status Date do not meet the criteria required for the Owner or Beneficiary to be part of the Class; and
- iii. any person who, in response to the Class Notice, timely submitted a written request to be excluded from the Class with respect to any Annuity in which that person had an interest.

vv. "Settlement Class Member" means a member of the Settlement Class but only with respect to an Annuity that is not subject to a Settlement Class Exclusion.

ww. "Surrendered Settlement Annuity" means:

- i. a Settlement Annuity that was fully surrendered by the Current Owner(s) for the Cash Value of the Annuity between September 15, 2011 and the Annuity Status Date; or
- ii. a Beneficiary's election to receive the Death Benefit in the form of the Cash Value if that election was made between September 15, 2011 and the Annuity Status Date. For purposes of this Agreement only, when there are multiple Beneficiaries, such an election of a Death Benefit shall be treated as a Surrendered Settlement Annuity only as to the

portion of the Death Benefit to which the Beneficiary was entitled under the Settlement Annuity.

xx. The terms "he or she" and "his or her" include "it" or "its," where applicable.

### **III. SETTLEMENT RELIEF**

18. The Parties agree that Allianz Life will provide the Settlement Relief described below to the Settlement Class Members. For purposes of the Settlement Relief, the Settlement Annuities will be divided into the following categories based upon the status of the Settlement Annuities (or Beneficiary Death Benefit elections if the Owner died) as reflected in Allianz Life's corporate records as of the Annuity Status Date: (1) Surrendered Settlement Annuities, (2) Annuitized Settlement Annuities, and (3) Active Deferred Annuities. In addition, settlement relief will be provided with respect to Penalty-Incurring Partial Surrenders that occurred between September 15, 2011 and the Annuity Status Date, regardless of the status of the Settlement Annuity.

19. With respect to Surrendered Settlement Annuities, Annuitized Settlement Annuities, and Penalty-Incurring Partial Surrenders, Settlement Class Members will receive benefits from the Net Settlement Fund as set forth below.

20. With respect to each Active Deferred Annuity, the Current Owner will be eligible to receive the Cash Value Credit benefit set forth in Section III.C upon satisfaction of the requirements of that Section. This Agreement also provides for similar relief in Section III.D. for policies fully surrendered after the Annuity Status Date but before the Settlement Class Member's deadline for requesting exclusion or objecting to the Settlement under Sections VIII and IX.

**A. Settlement Fund**

21. Allianz Life shall pay the Gross Settlement Amount in the amounts and dates set forth in this Agreement into a Settlement Fund under the control of the Settlement Administrator. This Settlement Fund will be used to pay Class Counsel's attorneys' fees and litigation expenses, incentives awards to Class Representatives, Settlement Administrative Expenses, and Settlement Checks paid to Settlement Class Members with Surrendered Settlement Annuities, Annuitized Settlement Annuities, and with respect to Penalty-Incurring Partial Surrenders.

22. The Settlement Administrator will deposit and hold the Settlement Fund and any portions thereof, in segregated, interest-bearing account(s), of a bank or such other financial institution(s) with more than \$20 billion in assets.

23. Within 30 days after the Court's entry of the Preliminary Approval Order, Allianz Life shall pay \$120,000.00 of the Gross Settlement Amount into the Settlement Fund to pay the costs and fees for the Settlement Administrator to effectuate the Class Action Settlement Notice mailing and the administration of the Settlement.

24. Within 30 days after the Effective Date, Allianz Life shall pay by wire transfer the remainder of the Gross Settlement Amount (the Gross Settlement Amount less the \$120,000.00 Allianz Life previously paid to the Settlement Administrator) into the Settlement Fund.

**B. Distribution of Net Settlement Fund.**

25. The Net Settlement Fund will be distributed to Settlement Class Members according to the proposed Net Settlement Fund Distribution Plan, to be approved by the Court, which is attached as Exhibit 4.

26. As set forth in the Plan of Distribution, fifty-four percent (54%) of the Net Settlement Fund will be allocated to relief applicable to Surrendered Settlement Annuities and



for Penalty-Incurring Partial Surrenders. Forty-six percent (46%) of the Net Settlement Fund will be allocated to relief applicable to Annuitized Settlement Annuities.

27. Within forty (40) days of the Effective Date, the Settlement Administrator shall mail Settlement Checks from the Net Settlement Fund, in accordance with the Distribution Plan of the Net Settlement Fund, as approved by the Court, to the Settlement Class Members.

28. Settlement Class Members who receive a Settlement Check shall have 180 calendar days from the date of their Settlement Check to cash their Settlement Checks. Settlement Class members who have misplaced or otherwise lost a Settlement Check may request that a new check be issued to them by making a written request to the Settlement Administrator sent by mail to the Settlement Administrator's address. To be valid, a request for a replacement check must be in writing and must be postmarked within 180 calendar days of the original date of the Settlement Check. A Settlement Class Member's late request for a replacement check shall be void and ineffective, but the Agreement nevertheless will be binding upon that Settlement Class Member.

29. Settlement Checks that are not cashed within 180 days after mailing of the initial check (or 60 days after mailing of a replacement check) will be void and a stop payment will be placed on the Settlement Checks. Settlement Class Members who fail to timely cash their Settlement Checks will be still be bound by this Agreement.

30. The amounts of the uncashed Settlement Checks will be sent to the California State Controller's Office (or other government entity designated under the California's unclaimed property law statutes). In no circumstances will any of the amounts of uncashed Settlement Checks be retained by, or revert to, Allianz Life.

**C. Relief for Active Deferred Settlement Annuities: Cash Value Credit Upon Surrender**

31. Any Active Deferred Settlement Annuity shall be entitled to a credit to the current Cash Value if within 365 days after the Effective Date of the Settlement Allianz Life receives a Surrender Form signed by all of the Current Owners of the Settlement Annuity requesting a full and complete surrender of the Settlement Annuity. The Cash Value Credit, the calculation of which is described in Paragraph 32, will be applied on and as of the date that the surrender is processed by Allianz Life.

32. The amount of the Cash Value Credit will be equal to (a) .35 multiplied by (b) the Premium Bonus Percentage or Annuitization Bonus percentage shown in the Settlement Annuity's Policy Schedule (the maximum of which was .12) multiplied by (c) the Cash Value as of the effective date of surrender.

33. For the purposes of this Agreement, and for purposes of calculating the Cash Value Credit hereunder, a surrender made pursuant to this provision shall be deemed effective on the date that a contractually compliant Surrender Form for a full surrender is processed by Allianz Life in accordance with Allianz Life's corporate policies (which require submission of the original Annuity contract or a statement of lost contract). Settlement Class members will be given fourteen (14) days to cure any deficiencies in any Surrender Forms that were submitted on or before the expiration of 365 days after the Effective Date.

**D. Gap Relief For Active Deferred Settlement Annuities Surrendered After the Annuity Status Date.**

34. Recognizing that some owners of Active Deferred Annuities may fully surrender such Annuities after the Annuity Status Date but before they have had an opportunity to review

the Class Settlement Notice describing the benefits available under the Settlement, Allianz Life has agreed to provide a cash payment applicable to policies that are surrendered between (i) the day after the Annuity Status Date and (ii) 35 calendar days after the date of the mailing of the Class Action Settlement Notice (“the Gap Relief Period”)) on the terms and conditions in Paragraphs 35 and 36.

35. If the Court enters the Preliminary Approval Order on or before July 31, 2022, a Settlement Class Member who fully surrenders an Active Deferred Settlement Annuity during the Gap Relief Period will be entitled to a retroactive application of the Cash Value Credit to such Annuity as described in Paragraphs 31-33, with checks mailed by Allianz Life within 90 days after the Effective Date of the Settlement.

36. If the Court enters the Preliminary Approval Order after July 31, 2022, the cash value credits provided as gap relief will be subject to a \$400,000.00 aggregate cap. If the aggregate amount of retroactive cash value credits applicable to Settlement Annuities fully surrendered during the Gap Period using the calculations described in Paragraph 32 is equal to or lower than \$400,000.00, the same Cash Value Credit described in Paragraphs 31-33, will be retroactively applied to each Active Deferred Settlement Annuity fully surrendered during the Gap Period, with checks mailed by Allianz Life within 90 days after the Effective Date of the Settlement. However, if the aggregate amount of retroactive cash value credits applicable to Settlement Annuities fully surrendered during the Gap Period using the calculations described in Paragraph 32 is greater than \$400,000.00, the payment for each Annuity surrendered during the Gap Relief Period shall be reduced proportionally, such that the total amount paid by Allianz Life with respect to Active Deferred Settlement Annuities that are fully surrendered during the Gap Relief Period is no greater than \$400,000.00.

#### **IV. RELEASE**

37. The obligations incurred under this Settlement will be in full and final disposition of the Action against Allianz Life and will fully, finally, and forever compromise, settle, release, resolve, relinquish, waive, and discharge any and all Released Claims against Allianz Life and its Related Parties.

38. The Class Representatives will have, and each of the Settlement Class Members will be deemed to have, and by operation of law and of the Judgment will have, on behalf of themselves and their Related Parties, fully, finally and forever compromised, settled, released, resolved, relinquished, waived, and discharged the Released Parties from the Released Claims without costs to any party (except as set forth in this Settlement), except for claims to enforce the Settlement.

39. As of the date that Allianz Life pays the last portion of the Gross Settlement Amount into the Settlement Fund under Paragraph 24 of this Agreement, Plaintiffs, on behalf of themselves and their Related Parties, are barred and enjoined from commencing, instituting, or continuing to prosecute any action or proceeding in any court of law or equity, arbitration tribunal, administrative forum, or other forum of any kind, asserting against any of the Released Parties any of the Released Claims, and expressly covenant not to assert any Released Claim against any of the Released Parties, except for claims to enforce the Settlement.

40. With respect to the Released Claims:

a. Nothing shall preclude any action or proceeding to enforce the terms of this Agreement;

b. No claims of any nature are released with respect to any annuity, or other contract or agreement, between the Class Representative or any Settlement Class Member and Allianz Life, or its predecessors, successors, or assigns, other than a Settlement Annuity;

c. Class Representatives and the Settlement Class members shall continue to have all rights under their Settlement Annuity, except to the extent it is changed or modified by this Settlement and Agreement.

41. The Parties hereby agree and acknowledge that all provisions of this Section, including the Release, together constitute an essential term of the Agreement.

42. This Release is, and may be raised, as a complete defense to and precludes any claim, action, or proceeding encompassed by the Release against the Allianz Life Releasees herein.

#### **V. ATTORNEYS' FEES AND LITIGATION EXPENSES**

43. Allianz Life agrees not to oppose an application by Class Counsel for an award of attorneys' fees not to exceed thirty-three and one-third percent (33 1/3%) of the Gross Settlement Amount, or \$6,616,666.67.

44. In addition, Allianz Life shall agree not to oppose an application by Class Counsel for reimbursement of litigation expenses not to exceed \$337,351.74.

45. All attorneys' fees and litigation expenses awarded by the Court shall be paid from the Settlement Fund. Within forty (40) days from the Effective Date, the Settlement Administrator shall wire transfer all attorneys' fees and litigation expenses awarded by the Court from the Settlement Fund to Gianelli & Morris, A Law Corporation.

## **VI. SERVICE AWARD**

46. Allianz Life agrees not to oppose a request that the Court award up to fifteen-thousand dollars (\$15,000) to each of the Class Representatives as a service award to recognize their efforts, risk, time and expenses in connection with prosecution of this Action. Any amounts awarded by the Court pursuant to this Paragraph shall be paid from the Settlement Fund by the Settlement Administrator, by wire transfer to Gianelli & Morris, within thirty (40) days of the Effective Date.

## **VII. PRELIMINARY APPROVAL, NOTICE TO THE SETTLEMENT CLASS, AND COMMUNICATIONS WITH SETTLEMENT CLASS MEMBERS**

### **A. Preliminary Approval**

47. Promptly after execution of the Agreement, Class Counsel shall move the Court for the Preliminary Approval Order, substantially in the form attached as Exhibit 3 to this Agreement. The Preliminary Approval Order shall:

- a. provide for certification of the Settlement Class for settlement purposes only;
- b. find for settlement purposes that the requirements of California Code of Civil Procedure section 382 have been satisfied;
- c. preliminarily approve the Settlement and find that the Settlement is sufficient to warrant sending notice to the Settlement Class;
- d. preliminarily approve the Distribution Plan
- e. appoint KCC Class Action Services, LLC as the Settlement Administrator;
- f. approve the Class Action Settlement Notice and notice distribution methodology;

- g. direct the Settlement Administrator to mail the Class Action Settlement Notice by first class mail, postage prepaid, to each Settlement Class Member's last known address no later than 30 days after entry of the Preliminary Approval Order;
- h. determine that the Class Action Settlement Notice and notice methodology are:
  - i. the best practicable notice under the circumstances;
  - ii. reasonably calculated to apprise the Settlement Class Members of the proposed Settlement and of their right to object to the proposed Settlement;
  - iii. reasonable and constitute due, adequate and sufficient notice to all persons entitle to receive notice;
  - iv. compliant with applicable requirements of California law and the United States Constitution and its Amendments;
- i. approve the procedures for Settlement Class Members to request exclusion from the Settlement, to object to the Settlement, and dispute the amounts of their estimated Settlement Checks, including the deadlines for doing so;
- j. order that any Settlement Class member who does not file a timely written request for exclusion shall be bound by all subsequent proceedings, orders and judgments in this Action, including but not limited to, the Release, even if the Settlement Class Member has litigation pending or subsequently initiates litigation against Allianz Life with respect to the Released Claims;
- k. stay proceedings until further order of the Court, except as may be necessary to implement the proposed Settlement or to comply with the terms of the Agreement

l. order that the Settlement or any of its provisions, or any negotiations, statements or proceedings relating to it, may not be offered as, receives as, or deemed to be evidence in the Action, or any other action or proceeding, except in a proceeding to enforce the Agreement

m. schedule a Final Approval Hearing for final approval of the Settlement;

n. contain any additional provisions that might be necessary or appropriate to implement and administer the terms of this Agreement and the Settlement.

48. Allianz Life shall support the request for preliminary approval of the Settlement by Class Counsel but reserves the right to submit its own filing in support.

**B. Settlement Class Mailing List**

49. Within fourteen (14) days of execution of the Agreement, Class Counsel shall make a reasonable and diligent effort to provide to Allianz Life a list of Settlement Class Members entitled to distributions from the Net Settlement Fund, and the amount of the distributions using the data provided by Allianz Life in this Action. Within fourteen (14) days of receipt of this information, Allianz Life shall make a reasonable and diligent effort to provide the Settlement Administrator with an updated list of Settlement Class Members so that it includes the: (i) the name of the Settlement Class Member; (ii) actual policy number of the Settlement Class Member's Settlement Annuity; and (iii) the last known addresses of the Settlement Class Members (the "Settlement Class Mailing List").

50. Allianz Life agrees to further cooperate with the Plaintiffs and Class Counsel and Settlement Administrator in providing any additional requested data and information regarding Settlement Class Members that is necessary to effectuate this Agreement, including information



and data needed to effectuate mailing of the Class Action Settlement Notice and prepare the Distribution Plan.

**C. Timing of Class Action Settlement Notice**

51. No later than 30 days after entry of the Preliminary Approval Order, the Settlement Administrator will send the Class Action Settlement Notice to each Settlement Class Member. The Class Action Settlement Notice shall be mailed first-class mail, postage prepaid, to the last-known address using the Settlement Class Mailing List.

52. Settlement Class Members who received re-mailed notices will be given 35 days from the date of re-mailing to submit requests for exclusion, objections to the Settlement, and statements of dispute, except that if the Settlement Administrator receives a notice of returned mail for a Settlement Class Member less than 55 days before the Final Approval Hearing, the deadline for that Class Member's request for exclusion, objection to the Settlement, and written statement of dispute shall be 20 days before the Final Approval Hearing.

**D. Content of Class Action Settlement Notice**

53. The Class Action Settlement Notice will be substantially in the form of Exhibit 1 attached to this Agreement, and shall:

- a. contain a concise statement of the background of the Action, the preliminary certification of the Settlement Class for settlement purposes and the Settlement;
- b. describe the nature and scope of the claims, causes of action, and allegations pursued in the Action in sufficient detail to inform Settlement Class Members of the breadth of claims that will be subject to the Release;
- c. explain the proposed relief;

- d. advise Settlement Class Members of their rights to exclude themselves from the Settlement, object to the Settlement, dispute the amount of their Settlement check, the deadline for doing so, and the consequences of failing to do so;
- e. explain the impact of the Settlement on participation in any existing and future litigation, arbitration, regulatory action, remediation, or other proceeding;
- f. explain that if Settlement Class Members change the status of an Active Deferred Settlement Annuity after the mailing of the Class Action Settlement Notice, their right to relief under Section III.C. of the Agreement may be affected;
- g. direct Settlement Class Members to consult their own tax and other advisors regarding the potential tax and Medicaid/Medicare consequences of the Settlement and their receipt of Settlement Relief, including any payments provided hereunder, and any tax or other reporting obligations they may have with respect thereto;
- h. inform Settlement Class Members of the attorneys' fees and expenses requested by Class Counsel and the Settlement Administrative Expenses;
- i. advise Settlement Class Members that any judgment entered in the Action will be binding on all Settlement Class Members who were included in the mailing lists for the Class Notice and any person who by contract or otherwise succeeds to their interests in the Settlement Annuity;
- j. inform Settlement Class Members about any social-distancing measures in effect related to attendance at hearings and in regard to a review of court files, and refer them to the Settlement website;
- k. advise Settlement Class Members about contact information of Class Counsel and the Settlement Administrator, and of the Settlement website, and direct them to

check that website for any changes to hearing dates and locations, and for updated information on any social-distancing procedures.

54. No alteration may be made to the form of the Class Action Settlement Notice approved by the Court in the preliminary approval order without the consent of both Parties.

**E. Administrator**

55. Class Counsel have selected KCC Class Action Services as the Settlement Administrator. It is one of the largest class action notice and settlement administrators in the United States, having administered notice and or settlements in over 6,500 cases.

56. Class Counsel selected KCC after soliciting bids from KCC and another leading national class-action administrator. The estimated costs of the proposed services were approximately the same. Class Counsel chose KCC because it was previously approved by the Court to serve, and served, as the Notice Administrator for distribution of the Class Notice. Class Counsel believes that choosing KCC will facilitate the administration of the Settlement. KCC has already entered into a Confidentiality and Non-Disclosure Agreement with Allianz Life covering the transmission of confidential policy owner information; and it has adequate procedures in place to protect the security of the class data and adequate insurance in the event of a data breach or defalcation of funds. KCC's qualifications are attached as Exhibit 5.

57. The Settlement Administrator shall:

- a. verify the mailing list for the Class Action Settlement Notice prior to the mailing by using the National Change of Address database;
- b. prepare and mail the Class Action Settlement Notice;
- c. process any mail returned as undeliverable with forwarding address information by re-mailing the Class Action Settlement Notice to the forwarding address or, if no

forwarding address information is available, by conducting an advanced address search utilizing Social Security numbers and re-mailing the Class Action Settlement Notice to any forwarding address obtained;

d. receive any written correspondence or communication concerning the Settlement from persons or entities in the Settlement Class, provide copies of such correspondence to Parties' counsel, and send responses to such correspondence and communications as directed by the Parties' counsel;

e. arrange for, and maintain a toll-free call center that will provide automated telephone support to handle any Settlement Class Member inquiries (in accordance with instructions approved by the Parties' Counsel) and fulfill Class Action Settlement Notice requests, which shall be reasonably staffed during business hours to receive calls from the date of the mailing of the Class Action Settlement Notice Package until 70 days after the Effective Date;

f. establish and maintain a website under the URL [www.californiaannuityclass.com](http://www.californiaannuityclass.com) for Settlement Class Members that allows users to access to this Agreement, each of the Complaints filed in the Action, Allianz Life's Answer to the SAC, the Court's class certification order, the Class Notice, the Class Action Settlement Notice and the Court's Preliminary Approval Order and, after they are entered the, Final Order and Judgment. The website shall also prominently identify deadlines for mailing requests for exclusion, objections to the Settlement, and written statements of dispute, as well as the date of the Final Approval Hearing (including any changes thereto), and the date by which Owners of Active Deferred Settlement Annuities must surrender to receive the Cash Value Credit set forth in Section III.C;

g. within 30 days after the Effective Date, send a postcard to each Settlement Class Member who had an Active Deferred Settlement Annuity identifying the date on which each such Settlement Class Member must surrender in order to receive the relief set forth in Section III.C;

h. make any additional mailings required by this Agreement;

i. upon receipt of any requests for exclusion, objections to the Settlement, statements of dispute, or other correspondence immediately forward the request, objection, or statement of dispute, or other correspondence to Class Counsel and Allianz Life Counsel;

j. no later than 15 days after the deadline for postmarking of requests for exclusion, objections to the Settlement, and statements of dispute, provide the Parties and the Court with information regarding all Settlement Class Members who have requested exclusion, objected to the Settlement, submitted a statement of dispute or provided notification of an intent to appear at the Final Approval Hearing;

k. within 10 days following the entry of Judgment, post notice of entry of Judgment on the Settlement website;

l. within 40 days after the Effective Date, wire transfer all attorneys' fees, litigation expenses, and Class Representative service awards awarded by the Court, from the Settlement Fund to Gianelli & Morris, A Law Corporation;

m. within 40 days following the Effective Date, mail Settlement Checks to the Settlement Class Members;

n. contemporaneously with the mailing of the checks, provide Class Counsel evidence of such mailing;

o. issue appropriate tax reporting forms to each Settlement Class Member receiving payment from the Net Settlement Fund along with information sufficient to identify the amount of the payment attributable to each Settlement Annuity;

p. execute other tasks delegated to the Settlement Administrator under this Agreement or agreed to by the Parties' counsel.

58. The Parties' counsel and their respective designees shall be entitled to observe and monitor the performance of the Settlement Administrator.

#### **F. Settlement Administration Costs**

59. Within 30 days after the Court's entry of the Preliminary Approval Order, Allianz Life shall pay \$120,000.00 from the Gross Settlement Amount to the Settlement Administrator, without further approval from Allianz Life or further order of the Court, for reasonable Settlement Administrative Expenses.

60. If Plaintiffs terminate the Settlement pursuant to the terms of this Agreement, all Settlement Administrative Expenses, including any related fees, shall be repaid to Allianz Life. If Allianz Life terminates the Settlement pursuant to the terms of this Agreement, Allianz Life shall not be entitled to a return of any amounts paid for Settlement Administrative Expenses that were properly incurred up to the date of termination. The Parties shall split the cost of the Settlement Administrative Expenses properly paid or incurred if the Court does not finally approve the Settlement or if the Effective Date does not occur for a reason other than one Party's termination.

### **VIII. REQUESTS FOR EXCLUSION**

61. Any Settlement Class Member who wishes to be excluded from the Settlement Class must mail a written request for exclusion to the Settlement Administrator at the address

provided in the Class Action Settlement Notice, postmarked no later than 35 days after the mailing of such Notice subject to the provisions of Paragraph 52 regarding re-mailed notices, or as the Court otherwise may direct.

62. All requests for exclusion shall be deemed to apply to all Settlement Annuities in which a Settlement Class Member has an ownership interest. However, any request for exclusion that would exclude a Settlement Annuity with joint ownership must be signed by all Current Owners; otherwise that jointly owned Settlement Annuity shall be deemed to be subject to the Settlement.

63. A list reflecting all requests for exclusion shall be filed with the Court by the Settlement Administrator no later than 15 days after the deadline for requests for exclusion, or as the Court may otherwise direct. Such list shall be filed under seal, be subject to the Court's Confidentiality Order, and served upon Class Counsel and Allianz Life's Counsel by the Settlement Administrator.

64. Any Settlement Class Member who does not file a timely written request for exclusion, as provided in this Section, shall be bound by all subsequent proceedings, orders, and judgments in this Action, including, but not limited to, the Release, even if that Settlement Class Member has litigation pending or subsequently initiates litigation against Allianz Life with respect to the Released Claims.

#### **IX. OBJECTIONS TO SETTLEMENT AND DISPUTES ABOUT THE AMOUNT OF ESTIMATED SETTLEMENT CHECKS**

65. Any Settlement Class Member who wishes to object to the Settlement shall mail to the Settlement Administrator no later than 35 calendar days from the date of the mailing of the Class Action Settlement Notice (subject to the provisions regarding re-mailed Notices in Paragraph 52), a written statement of the objections, as well as the specific reason(s), if any, for

each objection, including any legal support the Settlement Class Member wishes to bring to the Court's attention and any evidence or other information the Settlement Class Member wishes to introduce in support of the objections. Settlement Class Members may object either on their own or through an attorney retained at their own expense. The written objection must also contain the Settlement Class Member's name, address, signature, and telephone number. The Settlement Administrator shall deliver to Class Counsel, Allianz Life's Counsel and the Court copies of any objections it receives.

66. Any Settlement Class Member who wishes to dispute the amount of their estimated Settlement Check as set forth in the Class Action Settlement Notice must mail to the Settlement Administrator no later than 35 calendar days from the date of the mailing of the Class Action Settlement Notice (subject to the provisions regarding re-mailed Notices in Paragraph 52), a written statement of the dispute, as well as the specific reason(s), if any, for the dispute, including any legal support the Settlement Class Member wishes to bring to the Court's attention and any evidence or other information the Settlement Class Member wishes to introduce in support of the statement of dispute. Settlement Class Members may dispute the amount of their Settlement Check either on their own or through an attorney retained at their own expense. The written statement of dispute must also contain the Settlement Class Member's name, address, signature, and telephone number.

67. The Settlement Administrator shall deliver to Class Counsel, Allianz Life's Counsel and the Court copies of any objections or written statements of dispute that it receives. Settlement Class Members who fail to dispute the amount of their estimated Settlement Check will not be entitled to later challenge the amount of their payments.



68. Any Settlement Class Member who objects to the Settlement or submits a written statement of dispute will be entitled to all of the benefits of the Settlement if Final Approval occurs, as long as the objecting Settlement Class Member complies with all requirements of this Agreement.

#### **X. FINAL APPROVAL ORDER AND JUDGMENT**

69. If this Settlement is approved by the Court at or after the Final Approval Hearing, Class Counsel and Allianz Life's Counsel will request that the Court enter an Order of Final Approval and Judgment ("Final Judgment") in substantially the same form attached as Exhibit 2, or another form agreed to by the Parties in writing.

70. The Final Judgment shall, among other things:

- a. find that the Court has personal jurisdiction over all Settlement Class Members, that the Court has subject matter jurisdiction over the claims asserted in the Action, and that venue is proper;
- b. incorporate the preliminary findings and conclusions of the Preliminary Approval Order;
- c. finally approve this Agreement and the Settlement as fair, reasonable, and adequate, and consistent and in compliance with the applicable provisions of the California and United States Constitutions and California law, as to, and in the best interests of, the Settlement Class;
- d. find that the Class Action Settlement Notice and the notice distribution methodology:
  - i. constituted the best practicable notice under the circumstances;

- ii. constituted notice that was reasonably calculated to apprise Settlement Class Members of the pendency of the Action and their right to exclude themselves from the class, the Settlement and their right to object to the Settlement and to appear at the Final Approval Hearing;
  - iii. was reasonable and constituted due, adequate, and sufficient notice to all persons entitled to receive the notice; and
  - iv. met all applicable requirements of California law and the California and United States Constitutions
- e. find that Class Counsel and the Class Representatives adequately represented the Settlement Class for purposes of litigating the Action on their behalf and entering into and implementing the Settlement;
- f. direct the Parties and their counsel to implement and consummate this Agreement according to its terms and provisions;
- g. declare this Agreement to be binding on, and have *res judicata* and preclusive effect in, all pending and future lawsuits, arbitrations, administrative proceedings, remediation proceedings, regulatory proceedings or other legal proceedings (as set forth more fully in the Release provisions of this Agreement) maintained by or on behalf of Plaintiffs and all other Settlement Class Members, as well as their heirs, executors, personal representatives, conservators, and administrators, predecessors, successors and assigns, that are encompassed by this Agreement or the Release;
- h. incorporate the Release set forth above in Section IV, make the Release effective as of the date that Allianz Life pays the last portion of the Gross Settlement Amount

into the Settlement Fund under Paragraph 24 of this Agreement and forever discharge the Allianz Life Releasees from any claims or liabilities;

- i. permanently bar and enjoin:
  - i. Plaintiffs and their Related Parties from filing, commencing, prosecuting, maintaining, intervening in, participating in, conducting, or continuing litigation as class members or otherwise, or from receiving any benefits from any lawsuit, administrative, arbitration, remediation or regulatory proceeding or order, or other legal proceeding in any jurisdiction, in accordance with the provisions of Section IV;
  - ii. Plaintiffs and their Related Parties, and all persons in active concert or participation with them, from filing, commencing, or prosecuting a lawsuit, arbitration, remediation or other legal proceeding as a class action, a separate class, or group for purposes of pursuing a putative class action (including by seeking to amend a pending complaint to include class allegations or by seeking class certification in a pending action in any jurisdiction) on behalf of Plaintiffs, arising out of, based on, or relating to the Released Claims.
- j. authorize the Parties, without further approval from the Court, to agree to and adopt such amendments, modifications, or expansions of this Agreement and all exhibits attached hereto which (a) are consistent with the Judgment, and (b) do not limit the rights of Settlement Class Members and any Person entitled to Settlement Relief under this Agreement;

k. require that any appeal of the Judgment, or any part thereof, be preceded by an objection to the Settlement which is rejected by the Court, in whole or in part.

l. without affecting the finality of the Judgment for purposes of appeal, retain jurisdiction as to all matters relating to the Action and Settlement, including modification, administration, consummation, enforcement, interpretation, and effectuation of this Agreement and the Final Order, including without limitation the Class Action Settlement Notice, Settlement Relief (and the amount thereof), any remand after appeal or denial of any appellate challenge, any collateral challenge to the Settlement, and any aspect of or collateral challenge to Class Counsel's or the Class Representatives' representation of the Class, and for any other necessary or appropriate purpose; provided however, that nothing in this Paragraph shall restrict the ability of the Parties to exercise their rights under this Agreement which are not in conflict with the Final Approval Order and Judgment;

m. approve Class Counsel attorneys' fees and expenses as the Court may determine to be appropriate, in amounts not to exceed the stipulated unopposed maximums under this Agreement, and shall include findings as may be appropriate in support of said award relating to Class Counsel's reasonable hourly billing rates, time reasonably incurred in the Action, costs and expenses reasonably incurred in the Action, and any requested fee multiplier. Allianz Life will not join in but will not oppose the inclusion of and request for such findings in the Final Order, so long as the requested awards do not exceed the unopposed amounts set forth herein;

n. award to each of the Class Representatives service awards, as the Court may determine to be appropriate, not to exceed the stipulated unopposed amounts under the Agreement;

- o. incorporate the provisions regarding the disposition of materials produced and generated during the course of the Action, as provided for in this Agreement;
- p. contain a list of persons excluded from the Settlement Class, either because they requested exclusion in response to the Class Notice or requested exclusion in response to the Class Action Settlement Notice; and
- q. contain any other provisions as the Court deems necessary and just.

## **XI. SETTLEMENT PROCESS SCHEDULE**

71. The timing of events contemplated by this Settlement Agreement is as follows:

<b>Event Date</b>	<b>Event</b>
March 31, 2022	Annuity Status Date
June 23, 2022	Hearing on Motion for Preliminary Approval
Within 30 days after entry of Preliminary Approval Order	Allianz Life shall pay \$120,000.00 into the Settlement Fund to effectuate distribution of the Class Action Settlement Notice and for other costs of administering the Settlement.
Within 30 days after entry of Preliminary Approval Order	Class Counsel files a motion for an award of attorneys' fees and costs and Class Representatives' incentive awards
Within 30 days after Preliminary Approval Order	Settlement Administrator mails Class Action Settlement Notice
35 days after mailing of Class Action Settlement Notice  Exception: If Settlement Administrator receives notice of returned mail with respect to a Settlement Class Member Notice less than 55 days before the Final Approval Hearing, the deadline shall be 20 days before the Final Approval Hearing.	Deadline for postmarking of requests for exclusion, objections and statements of dispute regarding the calculation of settlement checks

Within 15 days after expiration of deadline for postmarking of requests for exclusion, objections, and statements of dispute	Settlement Administrator shall cause to be filed a declaration attesting to Class Action Settlement Notice and separate lists of any Settlement Class Members who have requested exclusion, objected to the Settlement, or submitted a statement of dispute.
Two weeks before the Final Approval Hearing	Class Counsel to file a motion for final approval
To be set by the Court, but not less than 120 days after entry of Preliminary Approval Order	Final Approval Hearing
Within 30 days after the Effective Date	Allianz Life shall pay the remainder of the Gross Settlement Amount into the Settlement Fund.
Within 30 days after the Effective Date	Settlement Administrator shall mail postcard to Settlement Class Members with Active Deferred Settlement Annuities identifying deadline by which they must surrender to obtain the Cash Value Credit.
Within 40 days after the Effective Date	Settlement Administrator shall wire transfer attorneys' fees, litigation expenses and any incentive award
Within 40 days after the Effective Date	Settlement Administrator shall mail Settlement Checks to Settlement Class Members.
Within 90 days after the Effective Date	Allianz Life shall mail checks to Settlement Class Members entitled to payments under Section III D.

## **XII. TERMINATION OF THE SETTLEMENT**

72. Either Party will have the option to terminate this Agreement on twenty (20) calendar days' notice to the other if any of the following occurs:
- a. the Court enters any order that is materially inconsistent with the terms of this Agreement;
  - b. the Court does not enter the Preliminary Approval Order;

c. the Court does not approve the Settlement or any material part of it as reflected in this Agreement (though the Parties do not concede that every term of the Settlement or of this Agreement is material for these purposes);

d. the Court does not enter the Judgment;

e. the Judgment is vacated, modified, or reversed in any material respect by an appellate court of competent jurisdiction;

f. the Effective Date does not occur for any reason.

73. Allianz Life shall have the option to terminate this Agreement if more than 1% of Settlement Class Members exclude themselves from this Settlement as provided in Section VIII.

74. If this Agreement is terminated, it shall be void, and no Party shall be bound by any of its terms, except that the Parties shall remain bound by the terms of this Paragraph (including its subparts), which include:

a. Allianz Life, the Class Representatives, and the Settlement Class Members shall be restored to their respective positions existing immediately before the execution of this Agreement;

b. any payments made by Allianz Life to the Settlement Fund for Class Counsel fees and expenses shall, within fourteen (14) days of the notice of termination, be repaid to Allianz Life;

c. any payments made by Allianz Life to the Settlement Fund for Settlement Administrative Expenses shall be governed by Paragraph 60;

d. Allianz Life expressly and affirmatively reserves all defenses, arguments and motions as to all claims that have been or might later be asserted in the Action, including,

without limitation, any applicable statutes of limitation and the argument that the Action may not be litigated as a class action;

e. neither this Agreement, the fact of its having been made, nor the negotiations leading to it, nor any action taken by a Party or Settlement Class Member pursuant to this Agreement shall be admissible, entered into evidence, or used for any purpose whatsoever;

f. any order or judgment entered pursuant to the Settlement after the date of this Agreement, and prior to termination, shall be deemed vacated and shall be without any force or effect;

g. the Parties shall jointly request that the Action, including the hearing on Allianz Life's summary judgment motion, be restored to the Court's calendar, at the earliest date available to the Court and counsel, taking into consideration whether the Parties wish to engage in further discussion regarding a potential settlement; and

h. the Settlement Administrator shall post a notice on the website described that the Settlement has been terminated and that the Action will be returned to the Court's active docket.

### **XIII. GENERAL MATTERS AND RESERVATIONS**

#### **A. Construction, Interpretation, Amendment and Governing Law**

75. The headings in this Agreement are used for the purpose of convenience only and are not meant to have legal effect.

76. All of the Exhibits attached to the Agreement are incorporated by reference. If there is a conflict or inconsistency between the terms of this Agreement and the terms of any exhibit, the terms of this Agreement will prevail.



77. This Agreement may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by all Parties or their successors-in-interest; provided, however, that the Parties may agree to reasonable extensions of time for any deadline stated in this agreement to be a specific date or a fixed number of days from an identified event (including such dates and time periods provided for in Section X above) that are necessary to carry out any provisions of this Agreement, provided that any extension of more than 45 days must be approved by the Court. However, after the entry of the Final Approval Order, the Parties may make modifications and amendments as described in this Agreement or as otherwise permitted by the Final Approval Order.

78. The Parties agree that the terms of the Settlement were negotiated at arm's length in good faith by the Parties and reflect a settlement that was reached voluntarily based on adequate information and after consultation with experienced legal counsel. For the purpose of construing this Agreement, the Parties agree that it shall be deemed to have been drafted equally by all Parties and shall not be construed strictly for or against any of the Parties.

79. The waiver by one Party of any breach of this Agreement by any other Party will not be deemed a waiver of any other prior or subsequent breach of this Agreement.

80. This Agreement and its exhibits constitute the entire agreement among the Parties regarding the Settlement and supersede all prior and contemporaneous arrangements, oral and written agreements, and discussions or negotiations between or among the Parties or their agents or attorneys. No promise, representation, or warranty by any Party, or attorney or agent of any Party, regarding the Settlement that is not expressly contained or referred to in this Agreement or its exhibits will be valid or binding on that Party. The Parties have included this Paragraph to

preclude the introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this Agreement.

81. This Agreement may be executed in one or more counterparts by electronic signature or by signature transmitted by facsimile or by a PDF/TIFF image of the signature transmitted by email. All executed counterparts and each of them will be deemed to be one and the same instrument.

82. The Parties agree that the electronic signatures, whether digital or encrypted, by their respective signatories (including signatures through DocuSign) are intended to authenticate such signatures and to give rise to a valid, enforceable, and fully effective agreement.

83. The construction, interpretation, operation, effect, and validity of this Agreement, and all documents necessary to effectuate it, will be governed by the internal laws of the State of California without regard to conflicts of laws.

## **B. Cooperation**

84. The Parties agree to work together in good faith to accomplish, as soon as reasonably practical, all of the prerequisites for the Effective Date, including the Preliminary Approval Order, approval by the Court of the Settlement, and the Judgment.

85. Allianz Life agrees to participate and cooperate with providing appropriate Settlement Class Member information and data and assist in resolving any discrepancies that may arise.

86. The Parties and their respective counsel agree that they will use their best efforts to obtain all necessary approvals of the Court required for the Settlement by this Agreement.

**C. Disposition of Materials**

87. Within 90 days after the Effective Date, Class Counsel, the Class Representatives, and Plaintiffs' and Class Counsel's consultants and experts shall destroy, in a secure manner, all documents containing Confidential Information under the terms of the Protective Order (and all copies of such documents in whatever form made or maintained) produced by the Parties in this Action or prepared or submitted during the administration of the settlement and the implementation of this Agreement (including but not limited to materials submitted to the Administrator). All electronic copies of documents or data received by Plaintiffs or Class Counsel from Allianz Life's counsel stored on an electronic storage media (including CD's, DVD's, and computer hard drives) shall be destroyed, reformatted, or otherwise erased or deleted, so that the electronic information stored on such media cannot be retrieved. Class Counsel shall provide Allianz Life's Counsel with a written certification of compliance with this Section. Allianz Life shall retain a copy of all Confidential Information produced to Plaintiffs in the Action ("Produced Confidential Information") until the date six years after the Effective Date. However, if, within this six-year period, Class Counsel provides written notice to Allianz Life that it needs such materials to defend a claim of malpractice or a challenge to the adequacy of Class Counsel's representation of the Settlement Class Members in the Action and evidence that such claim or challenge has been asserted, Allianz Life will provide Class Counsel with the Produced Confidential Information necessary for its defense, and Class Counsel may retain those materials until the final resolution of such claim or five years after the last assertion of such a claim, whichever is later

88. Notwithstanding the foregoing, Class Counsel are entitled to retain a copy of all Confidential Information to the extent contained in or attached to pleadings, motion papers,

written discovery, transcripts, legal memoranda, correspondence, expert reports and exhibits thereto, or attorney work product. These documents will not be used or disclosed for any purpose other than: (1) in this Action (including the Settlement approval process and/or Settlement Administration), (2) in responding to or defending against any objection or complaint by or on behalf of any Settlement Class Member or other Person entitled to Settlement Relief as to the adequacy of Class Counsel's representation of the Class, or (3) in response to a Court order or legal process requiring disclosure of such materials. Any such material shall continue to be subject to the requirements of the Protective Order entered in this Action. Prior to disclosing any such materials to any third party, under either (2) or (3) above, Class Counsel will provide notice to Allianz Life's Counsel as early as feasible so as to permit Allianz Life to seek appropriate relief, and no later than five (5) business days after receipt of such an order or legal process. Class Counsel shall destroy the foregoing documents on the date six years after the Effective Date, except as needed or required with respect to a claim of malpractice or challenge to the adequacy of Class Counsel's representation of the Settlement Class Members in the Action, in which case Class Counsel may retain the materials until the final resolution of such claim or five years after the last assertion of such a claim, whichever is later.

89. The Settlement Administrator will maintain for ten (10) years a list of all Settlement Class Members and their addresses to whom the Class Action Settlement Notice was distributed and any declarations or affidavits filed with the Court. The Settlement Administrator will also maintain for ten (10) years a list of all Persons and their address to whom the Class Notice was distributed. At Allianz Life's request, the Settlement Administrator will provide Allianz Life with declarations or affidavits necessary to demonstrate that the Class Notice and/or Class Action Settlement Notice was sent to the persons on either list. The Settlement

Administrator shall follow Allianz Life's direction about the disposition of any written or electronic information or materials provided by Allianz Life to it or created during the administration or implementation of the Settlement Agreement, but will in no event dispose of any such information or materials prior to 120 days after the Effective Date.

**D. Authority**

90. Each Party or person executing this Agreement in a representative capacity on behalf of a corporate entity hereby represents that he or she is duly authorized by such entity to execute this Agreement on its behalf, and to bind it to the terms and conditions hereof.

**E. Parties Bound**

91. This Agreement will be binding on the Parties, including any and all Releasees and any corporation, partnership, or other entity into or with which any Party may merge, consolidate, or reorganize. No assignment will relieve any Party of any obligation under this Settlement.

**F. Notices**

92. Notices required by this Agreement will be submitted both (1) by email and (2) either by (a) any form of overnight mail or (b) in person to:

Robert S. Gianelli  
GIANELLI & MORRIS, A Law Corporation  
550 South Hope Street, Suite 1645  
Los Angeles, CA 90071  
[rob.gianelli@gmlawyers.com](mailto:rob.gianelli@gmlawyers.com)  
*Attorneys for Plaintiffs*

and

Stephen J. Jorden  
FAEGRE DRINKER BIDDLE & REATH LLP  
One Constitution Plaza, 5th Floor  
Hartford, Connecticut 06103  
[stephen.jorden@faegredrinker.com](mailto:stephen.jorden@faegredrinker.com)  
*Attorneys for Defendant*

and

Dawn B. Williams  
FAEGRE DRINKER BIDDLE & REATH LLP  
1500 K. Street, N.W.  
Suite 1100  
Washington, DC 20005  
*Attorneys for Defendant*

Notice will be deemed effective on sending the notice as described in this Paragraph.

**G. Retention of Jurisdiction**

93. The administration, consummation, and enforcement of the Settlement in this Agreement will be under the authority of the Court, and the Parties intend that the Court retain jurisdiction for the purpose of entering orders, providing for approval of attorneys' fees and costs to Class Counsel, and enforcing the terms of the Settlement and this Agreement.

**H. No Third-Party Beneficiaries**

94. The only individuals and entities which shall have any rights or interests in this Agreement or its subject matter shall be the signatories to this Agreement. No one else shall have any rights, obligations, or interests with respect to this Agreement or its subject matter.

**I. Tax and Medicare/Medicaid Consequences**

95. No opinion concerning the tax or Medicare/Medicaid consequences of the Settlement and any Settlement Relief to Settlement Class Members, or anyone else is given or will be given by Allianz Life, Allianz Life's Counsel, Plaintiffs, or Class Counsel, nor are any representations in this regard made by virtue of this Agreement.

96. Each Settlement Class Member's or other person's tax or Medicare/Medicaid obligations or consequences, if any, and the determination of those obligations, are the sole responsibility of the Settlement Class Member or other person or entity, and each such person or entity shall be deemed to release and hold Allianz Life harmless therefrom.

97. Allianz Life will submit appropriate tax reporting forms or other filings with respect to Settlement Relief provided under Section III.C. and III.D of this Agreement to the extent it determines that it is legally required to do so.

**SIGNATURES ON THE FOLLOWING PAGE**

**DEFENDANT ALLIANZ LIFE INSURANCE  
COMPANY OF NORTH AMERICA**

Dated: 5/27/2022

DocuSigned by:  
By: William E. Gaumond  
Name: William E. Gaumond  
Its: Senior Vice President and Chief Financial Officer

**PLAINTIFF DIANE V. SANCHEZ**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Diane V. Sanchez

**PLAINTIFF JULES CONFINO**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Jules Confino

**GIANELLI & MORRIS, A Law Corporation**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Robert S. Gianelli  
Class Counsel



**DEFENDANT ALLIANZ LIFE INSURANCE  
COMPANY OF NORTH AMERICA**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: William E. Gaumont

Its: Senior Vice President and Chief Financial Officer

**PLAINTIFF DIANE V. SANCHEZ**

Dated: 5-29-2022

  
\_\_\_\_\_  
Diane V. Sanchez

**PLAINTIFF JULES CONFINO**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Jules Confino

**GIANELLI & MORRIS, A Law Corporation**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Robert S. Gianelli  
Class Counsel

**DEFENDANT ALLIANZ LIFE INSURANCE  
COMPANY OF NORTH AMERICA**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: William E. Gaumont

Its: Senior Vice President and Chief Financial Officer


**PLAINTIFF DIANE V. SANCHEZ**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Diane V. Sanchez

**PLAINTIFF JULES CONFINO**

Dated: 5/27/2022

  
\_\_\_\_\_  
Jules Confino

**GIANELLI & MORRIS, A Law Corporation**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Robert S. Gianelli

Class Counsel

**DEFENDANT ALLIANZ LIFE INSURANCE  
COMPANY OF NORTH AMERICA**

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Name: William E. Gaumont

Its: Senior Vice President and Chief Financial Officer

**PLAINTIFF DIANE V. SANCHEZ**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Diane V. Sanchez

**PLAINTIFF JULES CONFINO**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Jules Confino

**GIANELLI & MORRIS, A Law Corporation**

Dated: 5/31/22

  
\_\_\_\_\_  
Robert S. Gianelli  
Class Counsel

LAW OFFICES OF RONALD MARRON

Dated: 5-31-2022



Ronald Marron  
Class Counsel

Dated: \_\_\_\_\_

FAEGRE DRINKER BIDDLE & REATH, LLP

\_\_\_\_\_  
Stephen J. Jorden  
Counsel for Allianz Life Insurance Company of North  
America

APPROVED AS TO FORM AND CONTENT

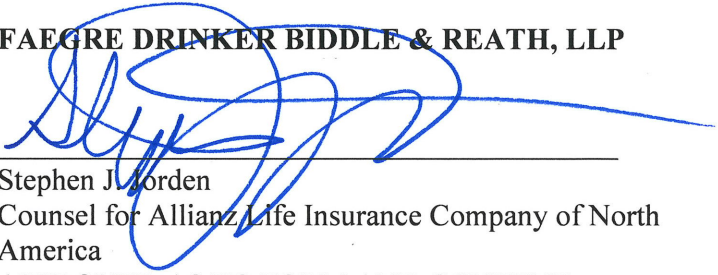
**LAW OFFICES OF RONALD MARRON**

Dated: \_\_\_\_\_

\_\_\_\_\_  
Ronald Marron  
Class Counsel

Dated: 5/31/2022

**FAEGRE DRINKER BIDDLE & REATH, LLP**

  
\_\_\_\_\_  
Stephen J. Jorden  
Counsel for Allianz Life Insurance Company of North  
America  
APPROVED AS TO FORM AND CONTENT

**[EXHIBIT 01]**

**SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR THE  
COUNTY OF LOS ANGELES**

**If you are a current or former owner, or were a designated death benefit beneficiary, with respect to one of the following Allianz Life annuities issued in California:**

**Bonus Maxxx, Bonus Maxxx Elite, BonusDex,  
BonusDex Elite, 10% Bonus PowerDex, or MasterDex 10**

**you may get monetary benefits from a proposed class action settlement.**

**A court authorized this notice. This is not a solicitation from a lawyer. You are not being sued.**

**YOUR LEGAL RIGHTS ARE AFFECTED WHETHER YOU ACT OR DO NOT ACT. PLEASE READ THIS NOTICE CAREFULLY.**

- This settlement notice relates to a class action brought by two individuals who allege Allianz Life Insurance Company of North America (“Allianz Life”): 1) breached its annuity contracts in determining or calculating annuitization payments; and (2) breached its annuity contract in connection with full and partial surrenders of its annuities.
- You received this Notice because you are listed as an owner (or a designated beneficiary) of an active or terminated fixed deferred annuity included in the proposed settlement of a class action lawsuit (the “Settlement”) against Allianz Life. The Court directed that this Notice be sent to you because you have a right to know about the proposed Settlement, and your rights and options, before the Court decides whether to approve it.
- The Settlement provides benefits that depend on the status of annuities as of March 31, 2022.
- Allianz Life will pay \$19.85 million (“Gross Settlement Amount”) into a common fund. \$9.131 million of the Gross Settlement Amount will be distributed for relief for Annuitized policies, which is approximately 75% of the amount the Settlement Class is claiming in alleged annuitization damages. \$10.719 million of the Gross Settlement Amount will be distributed for relief for fully surrendered policies and policies with penalty-incurring partial surrenders, which is approximately 46% of the amount the Settlement Class is claiming in full or partial surrender damages. Settlement Class Members will receive pro-rata distributions based on their alleged damages, after proportional reductions of the Gross Settlement Amount for attorney fees and expenses, settlement administration expenses, and class representative service awards approved by the Court.
- Settlement Class Members with an annuity in deferral as of March 31, 2022 will be entitled to a credit to the cash value of their annuity if they elect to fully surrender the annuity within a year of the Effective Date of this Settlement.

- [IF THE SETTLEMENT CLASS MEMBER IS RECEIVING A CHECK ATTRIBUTABLE TO SURRENDER OR ANNUITIZATION BENEFITS] Your estimated settlement check is \$ \_\_\_\_\_.
- Court-appointed lawyers for the Class will ask the Court to award them a fee equal to 33 and 1/3% of the Gross Settlement Amount (\$6,616,666.67) plus reimbursement of expenses incurred in prosecuting this lawsuit not to exceed \$337,251.74 to be paid from the Gross Settlement Amount. Class Counsel also intends to ask the Court to grant the two Class Representatives an incentive award not exceeding \$15,000.00 each also to be paid from the Gross Settlement Amount.
- Allianz Life denies the allegations in the lawsuit, and the two sides disagree on the likely outcome of the case if it goes to trial.

<b>YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:</b>	
<b>DO NOTHING</b>	If this Settlement is approved, and you do nothing, you will remain a Class Member and will receive the Settlement Check in the estimated amount identified to you in the Notice and/or a cash value credit for full surrenders occurring within a year after the Effective Date of the Settlement.
<b>EXCLUDE YOURSELF</b>	If you choose to exclude yourself, you will not receive the benefits available under the Settlement. You must submit a timely written request to exclude yourself from the Settlement to the Settlement Administrator by _____, 2022.
<b>OBJECT</b>	You may write to the Settlement Administrator about why you do not like the Settlement. Written objections must be sent to the Settlement Administrator no later than _____, 2022. Making an objection does not exclude you from the Settlement. If the Settlement is approved, you will be subject to the Settlement and will be bound by the Release, described in response to Question 11.
<b>DISPUTE ESTIMATED SETTLEMENT CHECK</b>	You may write to the Settlement Administrator about why you believe your estimated Settlement Check is incorrect. Written statements of dispute must be sent to the Settlement Administrator no later than _____, 2022. A written statement of disputes does not exclude you from the Settlement. If the Settlement is approved, you will be subject to the Settlement and will be bound by the Release, described in response to Question 11.
<b>GO TO THE HEARING</b>	If you timely object in writing to the Settlement as described in this Notice, you will be entitled to speak in Court about the fairness of the Settlement during the Final Approval Hearing set for _____, 2022.



<b>APPEAR THROUGH AN ATTORNEY</b>	If you desire, you may enter an appearance in this case through an attorney at your own expense, but you will still need to comply with the requirements for objecting to the Settlement and appearing at the fairness hearing.
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- Your rights and options—and the deadlines to exercise them—are explained in this Notice.
- This Notice is merely a summary of the terms and provisions of the proposed Settlement. For a complete description of the terms and provisions of the proposed Settlement, including certain exceptions, conditions, and limitations that may not be addressed herein, you should read the Settlement Agreement filed with the Court and available at [www.californiaannuityclass.com](http://www.californiaannuityclass.com) or by calling [ADMINISTRATOR NUMBER].
- The Court in charge of this case still has to decide whether to approve the Settlement. Settlement benefits will be available only if and after the Court approves the Settlement and that approval order becomes final. Please be patient.
- You should consult your own tax advisor regarding the tax consequences to you of the proposed Settlement, including, without limitation, the tax consequences of receiving any payments under the proposed Settlement, and any tax reporting obligations you may have.

## WHAT THIS NOTICE CONTAINS

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## BASIC INFORMATION

### **1. Why did I get this Notice?**

You received this Notice because you are listed in Allianz Life's records as being an owner (or a designated beneficiary) of an active or terminated fixed deferred annuity that is included in the proposed settlement of a class action lawsuit (the "Settlement") against Allianz Life.

The Court directed that the parties send you this Notice because you have a right to know about the proposed Settlement, and about your rights and options under the proposed Settlement, before the Court decides whether to approve it. If the Court approves the Settlement, and it becomes final, the Settlement relief described in this Notice will be provided.

The Court in charge of the case is the Superior Court of the State of California, Los Angeles County, and the case is known as *Sanchez v. Allianz Life Insurance Company of North America*, Case No. BC594715. The people who sued are called the Plaintiffs, and the company they sued, Allianz Life Insurance Company of North America, is called the Defendant (referred to in this Notice as "Allianz Life" or "Defendant").

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

This lawsuit involves two principal issues: first, whether Allianz Life breached its contracts in determining or calculating annuitization payments; and second, whether Allianz Life breached its contracts in connection with full and partial surrenders.

#### Annuitization

Plaintiffs alleged that when an annuitization (or death benefit beneficiary's election of an annuity payout) occurred within ten years after an annuity was issued, Allianz Life used an expense recovery adjustment calculation in its determination of annuitization payments that either reduced the Annuitization Value or the resulting payments in violation of contractual promises. Plaintiffs also pursued other related allegations of breach concerning annuitization, including that Allianz Life's calculation of such annuitization payments breached promises concerning "purchase rates." Plaintiffs also sought declaratory relief based on the same allegations on behalf of class members whose annuity contracts are still in deferral.

#### Surrender

Plaintiffs also alleged that Allianz Life committed a breach of contract because its annuities obscured or did not properly disclose alleged penalties or other consequences associated with full surrenders and partial surrenders, and in particular, the alleged loss of a bonus that Plaintiffs asserted should have been included in the Cash Value of the annuities, and that the contracts did not comply with various provisions of California statutes, including Cal. Civ. Code §§ 1442 and 1671, and Cal. Ins. Code § 10127.13. Plaintiffs also sought declaratory relief based on the same allegations on behalf of class members whose annuity contracts are still in deferral.

Plaintiffs amended the complaint on two occasions. All of the complaints are available for your review by contacting the Settlement Administrator or visiting the Settlement website. Also, the full public Court file for the action can be reviewed in the office of the Clerk of the Court. See Responses to Questions 23 and 24 below.

Allianz Life disputes Plaintiffs' claims. Allianz Life denies that it breached its annuity contracts or did anything wrong in the sale or administration of the annuities and denies that it violated the cited statutory provisions. Allianz Life contends that it paid more in annuitization benefits than its annuities required and that it complied with the terms of its contracts with respect to surrender.

### 3. Why is this lawsuit a class action?

In a class action, one or more people, called Class Representatives or Named Plaintiffs (in this case Diane Sanchez and Jules Confino), sue on behalf of people who the Court has determined have similar claims. All these people together are a class. One court resolves the issues for all members of the class. California Superior Court Judge Maren E. Nelson certified this case as a class action in July 2020, and has continued to maintain the case as a class action.

Notice of this class action was originally distributed in 2020, with an opportunity for class members to exclude themselves from participating in the case.

### 4. Why is there a settlement?

The Court did not decide in favor of Plaintiffs or the Defendant. Instead, both sides agreed to settle the case before it proceeded to a trial. The Class Representatives and their attorneys think the Settlement is in the best interest of the Class.

## WHO IS COVERED BY THE SETTLEMENT

To determine if you can get any settlement benefits from this Settlement if the Court approves it, you first must figure out whether you are a Settlement Class Member.

### 5. How do I know if I am part of the Settlement?

The Settlement Class in this lawsuit consists of certain owners and contract beneficiaries of Allianz Life fixed deferred annuities issued in California of the following product types: BonusMaxxx, BonusMaxxx Elite, BonusDex, BonusDex Elite, 10% Bonus PowerDex, and MasterDex 10.

- "Annuitized Settlement Annuities": (1) All owners of one of the annuity product types described above that was annuitized between September 15, 2011 and March 31, 2022 if such annuitization occurred within 10 years after the annuity's effective date of issuance; (2) all death benefit beneficiaries of one of the annuity types described above who between September 15, 2011 and March 31, 2022, elected to receive their death benefits in the form of periodic payments of the

Annuity Value over five or more years if the election occurred within 10 years after the annuity's effective date of issuance.

- "Surrendered Settlement Annuities": (1) All owners of one of the annuity product types described above that was fully surrendered for the Cash Value between September 15, 2011 and March 31, 2022; (2) all Death Benefit beneficiaries of one of the annuity product types described above who between September 15, 2011 and March 31, 2022 elected to receive the death benefit of the annuity's Cash Value.
- "Penalty Incurring Partial Surrenders": Owners of one of the annuity product types listed above that had a penalty incurring partial surrender between September 15, 2011 and March 31, 2022.
- Active Deferred Settlement Annuities: All owners of one of the annuity product types described above that was in deferral (active) status as of March 31, 2022.

There are some exceptions to this definition, which are described in the next section of this Notice. Subject to these exceptions, the above groups of persons (or entities) are referred to as the "Settlement Class." The collection of annuities described by this definition is referred to as the "Settlement Class Annuities."

#### 6. Are there exceptions to being included in the Class?

Yes. The following persons and annuities are excluded from the Settlement Class:

1. Annuities that were the subject of settlements in *Iorio, et al. v. Allianz Life Insurance Company of North America*, U.S.D.C. (S.D. Cal.), Case No. 05-cv-0633 JLS or *Negrete v. Allianz Life Ins. Co. of No. Am.*, (C.D. Cal.), Case Nos. CV 05-06838 CAS (MANx), CV 05-8908 CAS (MANx).
2. Annuities that on March 31, 2022 do not meet the criteria required for the owner or beneficiary to be part of the Class.
3. Those who previously submitted a timely and valid request to exclude themselves from the Class, in response to the original Class Notice first distributed in 2020 resulting from the Court's order certifying a class.

#### 7. I'm still not sure if I am included in the Settlement.

If you are still not sure whether you are included in the Settlement Class, you can ask for free help. You can contact the Settlement Administrator by mail, toll-free telephone, e-mail, or via the Settlement website. This contact information appears below. See Responses to Questions 23 and 24 ("Getting More Information") below.

If you are not sure whether you purchased one of the listed annuities or when it was purchased, you can review your personal files. The annual annuity statements from Allianz Life also identify the product type of the annuity contract.



## **THE SETTLEMENT BENEFITS--WHAT YOU GET**

### **8. What benefits does the Settlement generally provide?**

The Settlement provides two forms of relief. First, it provides that Allianz Life will pay \$19,850,000.00 ("Gross Settlement Amount") into a Fund under the control of the Settlement Administrator. The Gross Settlement Amount less: (i) attorneys' fees and litigation expenses awarded by the Court, and (ii) any service awards to the Class Representatives awarded by the Court and (iii) the Settlement Administrative Expenses, shall be the "Net Settlement Fund." The Net Settlement Fund shall be used to pay Settlement Checks distributed to the Class as described in response to question 10 below.

Second, the Settlement provides that Allianz Life will credit the Cash Value of any Settlement Class Annuity that was active (in deferral) on March 31, 2022 if such annuity is fully surrendered within 365 days after the Effective Date of the Settlement, which will not occur until the Court finally approves the Settlement and any appeals are resolved. The Settlement also provides similar benefits with respect to annuities that are fully surrendered between March 31, 2022 and 35 days after the date of this notice.

### **9. What are the Settlement benefits?**

Settlement Class Members may be eligible for different types of relief depending on the status of the Class Settlement Annuities they own or owned as of the Annuity Status Date, March 31, 2022; if the Settlement Class Members are beneficiaries, their benefits will depend on the death benefit elections they had made as of March 31, 2022 and whether there were qualifying Penalty-Incurring Partial Surrenders taken from the underlying annuity before the owner died.

#### **A. Settlement Fund Payments**

##### **Annuitized Settlement Annuities (Summarized in Response to Question 5)**

Forty-six percent (46%) of the Gross Settlement Amount (\$9,131,000) less a proportional share of the attorneys' fees and expenses and the costs of administering the settlement (described in response to Question 13) will be distributed to Settlement Class Members with Annuitized Settlement Annuities. The \$9,131,000 allocated to these policies is approximately 75% of the amount Plaintiffs contend annuitizing Settlement Class Members would have received had Allianz Life not applied an "expense recovery adjustment" calculation in determining annuitization payments.

##### **Surrendered Settlement Annuities (Summarized in Response to Question 5)**

Fifty-four (54%) of the Gross Settlement Amount (\$10,719,000) less a proportional share of the attorneys' fees and expenses and costs of administering the settlement (described in response to Question 13) will be distributed to Settlement Class Members with Surrendered Settlement Annuities. The

\$10,719,000 allocated to these policies is approximately 46% of a bonus amount Plaintiffs contend was lost on surrenders and partial surrenders.

Settlement Class Members will be compensated from their respective tranche (the Annuitized tranche or the Surrendered tranche) of the Net Settlement Fund based on their proportional share of the total alleged damages Plaintiffs would have sought to recover at trial for each such tranche.

Some Settlement Class Members may have multiple Settlement Annuities that provide a basis for sharing in the Net Settlement Fund. In addition, some Settlement Class Members may have multiple Settlement Annuities in different categories (for example, Annuitized or Surrendered). The Parties' intent is that the Settlement Administrator will sum all amounts payable for each Settlement Annuity of a Settlement Class Member into one Settlement Check. However, the Settlement Administrator may in some instances need to issue multiple checks to the same Settlement Class Member.

## **B. Cash Value Credit**

A Class Member with an "Active Deferred Settlement Annuity" (summarized in response to Question No. 5)) will be entitled to a credit to the current Cash Value of such an annuity if within 365 days of the Effective Date of the Settlement, Allianz Life receives a surrender form signed by all of the current owners of the annuity requesting a full and complete surrender of the annuity. The cash value credit will be applied on and as of the date that the surrender is processed by Allianz Life.

The amount of the cash value credit will be equal to (a) .35 times (b) the premium bonus percentage or annuitization bonus percentage shown in the Active Deferred Annuity's policy schedule times (c) the cash value as of the effective date of surrender. For example, the cash value credit available to an annuity with a \$100,000 Cash Value and 10% bonus would be  $.35 * .10 * \$100,000$ , or \$3,500.

The Settlement Agreement provides for certain "gap" relief for Active Deferred Settlement Annuities that are surrendered between March 31, 2022 and 35 days after the date of this Notice, but this relief may be reduced if there is a delay in the preliminary approval of the Settlement.

### **10. When would I get my Settlement benefits?**

The Court will hold a hearing on \_\_\_\_\_, 2022, called the Final Approval Hearing, to decide whether to approve the proposed settlement. Settlement benefits will only be available if the Court approves the Settlement after that hearing. If the Court approves the Settlement, and no one appeals the approval of the Settlement, settlement funds will first become available (and settlement payments will be distributed) 40 days after the Court's Final Approval Order. If the Court approves the proposed Settlement, but someone appeals that ruling, settlement benefits will not be provided, if at all, until after the appeal is resolved. It is always uncertain how these appeals will be resolved, and resolving them can take time, perhaps more than a year. If an appellate court ultimately approves the Settlement, payment will be made once any and all appeals are resolved.

### **11. What am I giving up to get Settlement benefits or stay in the Class?**

If the Settlement becomes final, you will give up the right to start, continue with, maintain or participate in a lawsuit, arbitration or other legal proceeding against Allianz Life and certain other parties that relate to the facts, events, transactions or circumstances that were alleged or could have been alleged against Allianz Life in the Complaint or pursued in the Action, under any legal theory or construct, including a request for declaratory relief.

The exact description of what you will give up and what you will not give up under the Settlement is known as the “release”. The full text of the release can be found in the “Settlement Agreement”, in Section IV and in Section II (Definitions) under “Releases Claims” and “Released Parties.” You can view and download a copy from the Settlement website, or you can request a copy from the Settlement Administrator, at no cost to you. You may request a copy by mail, toll-free telephone, or e-mail. *See Responses to Questions 23 and 24 (“Getting More Information”) below.*

Regardless of the outcome of Settlement approval, being a Settlement Class Member means that the Court’s orders, and any outcome in this lawsuit, whether favorable or unfavorable to the Class, will apply to you and legally bind you.

### **EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you do not want to be subject to the Settlement or you want to keep the right to sue or continue to sue Defendant on your own with respect to claims that were or could have been pleaded against Allianz Life based on the claims described in this Notice and the Settlement Agreement including, but not limited to those arising out of Allianz Life’s use of an expense recovery adjustment and/or relating to surrender or partial surrender of the annuities, then you must take steps to get out of the Settlement. This is called excluding yourself – or is sometimes referred to as opting out of the Settlement Class.

#### **12. How do I get out of the Settlement?**

If you do not want to be part of the Settlement Class, you may exclude yourself or “opt out.” If you exclude yourself, you will not be entitled to any Settlement benefits described in this Notice, and you will not be bound by the Release. To exclude yourself from the Settlement, you must submit a written request to the Settlement Administrator stating that you want to be excluded from the Settlement in *Sanchez v. Allianz Life*, Case No. BC594715. Be sure to include your name, address, telephone number, as well as your signature. You must **mail** your signed request for exclusion postmarked no later than \_\_\_\_\_, to:

*Sanchez v. Allianz Life* Settlement Administrator

c/o [INSERT ADMINISTRATOR INFORMATION]

**THE ENVELOPE CONTAINING YOUR SIGNED REQUEST FOR EXCLUSION MUST BE POSTMARKED NO LATER THAN [EXCLUSION DEADLINE]**

You cannot exclude yourself on the phone or by e-mail. If your signed request for exclusion is not mailed with a postmark on or before \_\_\_\_\_, it will be ineffective and you will be part of the Class, and bound by all orders and judgments entered in connection with Settlement, including the Release.



**13. If I don't exclude myself, can 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 regarding claims that may be released by this Settlement, speak to your lawyer in that lawsuit about this Class Notice immediately. You must exclude yourself from this Class to continue your own lawsuit. Remember, the exclusion deadline is \_\_\_\_\_, 2022.

**THE LAWYERS REPRESENTING YOU**

**14. Do I have a lawyer in this case?**

Yes. The Court previously appointed the law firms of Gianelli & Morris and the Law Offices of Ronald Marron, A Professional Law Corporation, to represent the Class with respect to this lawsuit, including this proposed Settlement:

Gianelli & Morris, 550 South Hope Street, Suite 1645, Los Angeles, CA 90071 Telephone:  
(213) 489-1600

Law Offices of Ron Marron, A Professional Law Corporation, 651 Arroyo Drive, San Diego,  
CA 92103, Telephone: (619) 969-9006

These lawyers are called Class Counsel. You will not be charged for the services of these lawyers. If you want to be represented by your own lawyer with regard to this case, you may hire one at your own expense.

**15. How will the lawyers and Settlement Administrator be paid?**

The Settlement provides separately for payment of attorneys' fees and litigation expenses from the Gross Settlement Amount, prior to the distribution of funds to Settlement Class Members. No Class Member will be required to pay any attorneys' fees and litigation expenses to Class Counsel.

No later than \_\_\_\_\_, Class Counsel intends to file with the Court their motion of an award of attorneys' fees requesting a fee of 33 and 1/3% (\$6,616,666.67) of the Gross Settlement Amount, plus reimbursement of out-of-pocket expenses of up to \$337,351.74. These fees would pay the Class Counsel for investigating the facts, actively litigating the case for more than six years, and negotiating the Settlement. Allianz Life has agreed to not oppose these requests for attorneys' fees and expenses.

Class Counsel will also ask the Court to authorize payment of \$120,000.00 to the Settlement Administrator for the costs of distributing this Notice and administering this Settlement.

**16. What payments will be made to the Class Representatives?**

Class Counsel will ask the Court to award the Class Representatives Diane V. Sanchez and Jules Confino a total of no more than \$30,000.00 (\$15,000.00 for each Class Representative) as service awards, out of the Gross Settlement Amount.

**OBJECTING TO THE SETTLEMENT OR DISPUTING MY ESTIMATED SETTLEMENT CHECK**

**17. How do I tell the Court that I don't like the Settlement?**

If you are a Class Member, you can object to the Settlement if you don't like any part of it. Plaintiffs and Allianz Life have a right to respond to your objections. The Court will consider your views in connection with the Final Approval Hearing described below.

To object, you should send your objection in writing, saying that you object to the proposed Settlement of *Sanchez v. Allianz Life Insurance Company*. Your written objection should be signed and dated and include the following information: the abbreviated name and case number of this lawsuit, (*Sanchez v. Allianz*, Case No. BC594715); your name, address, and telephone number; the specific reason for your objection and any legal support or evidence and information you wish for the Court to consider.

Mail your written objection to the Settlement Administrator at the addresses below **NO LATER THAN**

\_\_\_\_\_.

<b>Settlement Administrator</b>	KCC Class Action Services, LLC [Address]
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If you do not timely submit your objection, you will not be treated as having filed a valid objection to the proposed Settlement.

**18. How can I tell the Court I believe my estimated Settlement Check is incorrect?**

If you believe your estimated Settlement Check was calculated incorrectly, you may also submit a written statement of dispute. The written statement of dispute should set forth the specific reason(s), if any, for the dispute, including any legal support the Class Member wishes to bring to the Court's attention and any evidence or other information the Class Member wishes to introduce in support of the written statement of dispute. The written statement of dispute should also include your name, address, signature, and telephone number. If you intend to appear at the Final Approval Hearing, either in person or through counsel hired at your expense, your statement of dispute should state that as well.

You must mail your written statement of dispute to the Settlement Administrator, at the addresses listed above in response to Question 17 above, no later than \_\_\_\_\_.

### **THE COURT'S FINAL APPROVAL HEARING**

The Court will hold a hearing, called a Final Approval Hearing, to decide whether to approve the Settlement. You may attend and you may ask to speak, but you don't have to.

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

The Court will hold a Final Approval Hearing at \_\_\_\_\_ a.m. on \_\_\_\_\_, 2022 at the California Superior Court in Los Angeles, California, in the courtroom of the Honorable Maren E. Nelson, located at 312 North Spring Street, Los Angeles, California 90012.

At the Final Approval Hearing, the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are any objections, the Court will consider them at that time. The Court may allow people to speak at the hearing who have objections to the Settlement. The Court will also decide how much attorneys' fees and costs to award to Class Counsel and whether to approve service awards for the Class Representatives. At or following the hearing, the Court will decide whether to approve the Settlement. We do not know when that decision will be made.

Sometimes, a Court will change the scheduled date for a hearing to a later date. If this occurs, the changed hearing date will be posted on the Settlement website, [www.californiaannuityclass.com](http://www.californiaannuityclass.com). You can also contact the Settlement Administrator by toll-free telephone or e-mail to confirm the Final Approval Hearing date if you plan to attend. You can also check the Settlement website for any updated information on any social-distancing procedures in the courtroom.

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

No. If you submit a written objection or statement of dispute, you don't have to come to the Final Approval Hearing to talk about it. As long as you mailed your written objection or statement of dispute on time, in the manner described by this Notice, the Court will consider it.

But you are welcome to come to the Final Approval Hearing if you wish, at your own expense. You may also pay your own lawyer to attend, but it is not necessary.

If you have retained counsel to represent you at the hearing, your counsel should no later than \_\_\_\_\_ mail to the Settlement Administrator at the address listed above in response to Question 17 a letter stating an intention to appear, identifying the objection and/or statement of dispute on which You are represented, and containing a statement of any prior class action settlement objections or statements of dispute made by or on your behalf and any fee arrangements made with respect to your objection.

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

In general, the Court will hear from any Class Member who appears at the hearing and asks to speak regarding his or her objection.

You are not required, however, to attend or speak.

### **IF YOU DO NOTHING**

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

If you do nothing, you will be eligible to receive any Settlement benefits to which you are entitled. If the Settlement is approved and becomes final, you will receive those Settlement benefits.

If the Settlement becomes final, you will give up the right to start, continue with, maintain or participate in a lawsuit, arbitration or other legal proceeding against Allianz Life and certain other parties that relate to the facts, events, transactions or circumstances that were alleged or could have been alleged against Allianz Life in the Complaint or pursued in the Action, under any legal theory or construct, including a request for declaratory relief.

The exact description of what you will give up and what you will not give up under the Settlement is known as the “release”. The full text of the release can be found in the “Settlement Agreement”, in Section IV and in Section II (Definitions) under “Releases Claims” and “Released Parties.” You can view and download a copy from the Settlement website, or you can request a copy from the Settlement Administrator, at no cost to you. You may request a copy by mail, toll-free telephone, or e-mail. See Responses to Questions 23 and 24 (“Getting More Information”).

Regardless of the outcome of Settlement approval, being a Settlement Class Member means that the Court’s orders, and any outcome in this lawsuit, whether favorable or unfavorable to the Class, will apply to you and legally bind you.

### **GETTING MORE INFORMATION**

#### **23. Are there more details about the Settlement?**

Yes. This Notice summarizes the proposed Settlement. More details are contained in an agreement between the Plaintiffs and Allianz Life called the Settlement Agreement. The full Settlement Agreement is on file with the Clerk of the Court. You can also view and download a copy from the Settlement website, or you can request a copy from the Settlement Administrator, at no cost to you. You may request a copy by mail, toll-free telephone, or e-mail. See below.

Here is the Settlement Administrator’s contact information for any inquiry concerning the Settlement, or for requesting a copy of or viewing and downloading the Stipulation of Settlement:

SETTLEMENT ADMINISTRATOR CONTACT INFORMATION	
<b>By Mail</b>	Sanchez v. Allianz Life Class Action [Settlement Administrator Name]

	[Settlement Administrator Address]
<b>By Toll-Free Telephone</b>	1-800 [toll-free number]
<b>By E-Mail</b>	[email address]
<b>Website</b>	<a href="http://www.californiaannuityclass.com">www.californiaannuityclass.com</a>

#### 24. How do I get more information?

You can write, call toll-free, or e-mail the Settlement Administrator about any questions you may have, using the contact information above. The Settlement Administrator can answer many questions and can provide certain key documents from the Court's file in this lawsuit, upon request, at no cost to you, including the Stipulation of Settlement and the Court's order preliminarily approving the Settlement. The Settlement Administrator's hours of operation are [hours, days, holidays]. After hours, you can leave a message and you will receive a prompt response.

You can also visit the Settlement website, [www.californiaannuityclass.com](http://www.californiaannuityclass.com), which will provide information about the lawsuit, Settlement, and settlement approval process, and where certain key documents from the Court's file in this lawsuit will be available for viewing, downloading, and printing.

If the Settlement Administrator cannot answer your inquiry to your satisfaction, it will be forwarded to the lawyers for the Class, who will personally respond to these inquiries in the order they are received, at no cost to you.

Dated: [Mailing Date]

**[EXHIBIT 02]**



1 ROBERT S. GIANELLI, #82116  
JOSHUA S. DAVIS, #193187  
2 ADRIAN J. BARRIO, #219266  
3 GIANELLI & MORRIS, A LAW CORPORATION  
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4 LOS ANGELES, CA 90071  
5 TEL: (213) 489-1600; FAX: (213) 489-1611

6 RONALD A. MARRON, #175650  
7 LAW OFFICES OF RONALD A. MARRON  
A PROFESSIONAL LAW CORPORATION  
8 651 ARROYO DRIVE  
9 SAN DIEGO, CA 92103  
10 TEL: (619) 696-9006; FAX: (619) 564-6665

11 Attorneys for Plaintiffs  
Diane V. Sanchez, Jules Confino on behalf  
12 of themselves and all others similarly situated

13 **IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
14 **COUNTY OF LOS ANGELES**

15 DIANE V. SANCHEZ, on behalf of herself  
16 and all others similarly situated,

17 Plaintiff,

18 vs.

19 ALLIANZ LIFE INSURANCE  
20 COMPANY OF NORTH AMERICA, and  
21 DOES 1-60, inclusive,

22 Defendants.  
23  
24  
25  
26  
27  
28

Case No.: BC594715

Assigned to Hon. Maren E. Nelson,  
Dept. SS17

**[PROPOSED] FINAL ORDER  
APPROVING CLASS ACTION  
SETTLEMENT AND FINAL  
JUDGMENT**

Date:  
Time:  
Dept.: SS17  
Spring Street Courthouse  
312 N. Spring Street  
Los Angeles, CA 90012

1 The motion of Plaintiffs Diane V. Sanchez and Jules Confino, on behalf of  
2 themselves and all others similarly situated, for final approval of the class action  
3 Settlement reached with Defendant Allianz Life Insurance Company of North America  
4 (“Allianz Life”) (collectively, the “Parties”) in this lawsuit was heard on [DATE] at  
5 [TIME] in Department SS17 of the Superior Court, County of Los Angeles, Spring Street  
6 Courthouse, 312 N. Spring Street, Los Angeles, California 90012. After considering the  
7 Settlement Agreement, the moving papers, arguments of counsel, and all other matters  
8 presented to the Court, the Court ORDERS, ADJUDICATES, AND DECREES as  
9 follows:

10 1. The Motion for Final Approval is GRANTED. The Court approves the  
11 proposed Settlement.

12 2. This Final Order Approving Class Action Settlement and Judgment (“Final  
13 Order and Judgment”) incorporates by reference: (a) the Parties’ Agreement filed on June  
14 1, 2022, including Exhibits 1-5 (collectively the “Agreement”); and (b) the Court’s  
15 findings and conclusions contained in its Order Granting Preliminary Approval of Class  
16 Settlement (the “Preliminary Approval Order”). All defined terms in this Final Order and  
17 Judgment have the same meanings as in the Agreement.

18 3. All preliminary findings and conclusions in the Court’s Preliminary  
19 Approval Order are final.

20 4. The Court has personal jurisdiction over all members of the Settlement  
21 Class. The Court has subject matter jurisdiction over the claims asserted in this Action to  
22 approve the Settlement, the Agreement, and all attached exhibits. Venue is proper in this  
23 Court. The Agreement and Settlement are fair, reasonable and adequate, and consistent  
24 and in compliance with the applicable provisions of the Code of Civil Procedure, the  
25 Rules of Court and the applicable provisions of the California and United States  
26 Constitutions and California law. The Agreement and Settlement are in the best interests  
27 of, the Settlement Class. The Court also finds that the Settlement resulted from an arms-  
28 length mediation process and was concluded only after Plaintiffs and Allianz Life



1 conducted their own investigations and evaluations of the factual and legal issues raised  
2 by Plaintiffs' claims, as well as Allianz Life's defenses. [No objections have been made  
3 to the Settlement by any member of the Settlement Class.] Accordingly, the Agreement  
4 and the Settlement are finally approved.

5         5.       The Settlement Class, as defined in Paragraph 17.tt and 17.uu of the  
6 Agreement, is finally certified for settlement purposes.

7         6.       The Court directs the Parties and their counsel to implement and  
8 consummate the Agreement according to its terms and provisions.

9         7.       Pursuant to the Court's Preliminary Approval Order, the notice requirement  
10 was satisfied in that the Class Administrator sent the Class Action Settlement Notice to  
11 each Settlement Class Member, no later than 30 days after entry of the Preliminary  
12 Approval Order, by first-class mail, postage prepaid, to each identified Class Member's  
13 last known address, and where necessary, further steps were taken in accordance with the  
14 Agreement to obtain updated addresses when the mail was returned as undelivered and to  
15 re-mail the Class Action Settlement Notice. Settlement Class Members had the  
16 opportunity to exclude themselves from the Settlement, or to object to the Settlement and  
17 the Agreement and/or dispute the amount of their estimated Settlement. They were also  
18 informed of the date, time, and location of the Final Approval Hearing and had the  
19 opportunity to appear at the Final Approval Hearing. These procedures afforded  
20 protections to persons in the Settlement Class and provide the basis for the Court to make  
21 an informed decision on approval of the Settlement based on the responses of Settlement  
22 Class Members.

23         8.       The Class Action Settlement Notice, and the distribution methodology:  
24               (a)     constituted the best practicable notice under the circumstances;  
25               (b)     constituted notice that was reasonably calculated to apprise  
26 Settlement Class Members of the pendency of the Action and their right to exclude  
27 themselves from the class, the Settlement and their right to object to the Settlement and to  
28 appear at the Final Approval Hearing;

1 (c) was reasonable and constituted due, adequate, and sufficient notice  
2 to all persons entitled to receive notice; and

3 (d) met all applicable requirements of California law and the California  
4 and United States Constitutions.

5 9. Class Counsel and the Class Representatives adequately represented the  
6 Settlement Class for purposes of litigating the Action on their behalf and entering into  
7 and implementing the Settlement.

8 10. The list of those persons who have requested exclusion from the Class in  
9 accordance with the terms of the Settlement Agreement and Preliminary Approval Order  
10 has been filed with the Court, is attached to this Order, and is hereby approved. Those  
11 persons are excluded from the Class. The Court finds that it is a complete list of all Class  
12 Members who have timely requested exclusion from the Class, and accordingly, such  
13 Class Members shall neither share in nor be bound by this Final Order and Judgment or  
14 the Agreement.

15 11. The Court grants Plaintiffs' Motion for Attorneys' Fees, Expenses and  
16 Class Representative Service Awards, and approves as fair and reasonable, attorneys'  
17 fees to Class Counsel in the amount of [REDACTED], which is [REDACTED] percent ([REDACTED]%)  
18 of the Gross Settlement Amount (\$19,850,000.00) plus costs of Class Counsel in the  
19 amount of \$[REDACTED]. This payment will be provided in accordance with the  
20 Agreement.

21 12. As service awards for participation as the Class Representatives in the  
22 Litigation, the Court awards \$[REDACTED] to Plaintiff Diane V. Sanchez and  
23 \$[REDACTED] to Plaintiff Jules Confino. This payment will be provided in accordance  
24 with the Agreement.

25 13. KCC Class Action Services, LLC, the Court-appointed Settlement  
26 Administrator, is authorized to continue its duties as set forth in the Agreement, and shall  
27 carry out all the tasks set forth in the Agreement that are assigned to the Settlement  
28 Administrator and remain to be performed.

1           14.    The Court finds that the Settlement Administrative Expenses are  
2 reasonable.

3           15.    The Court grants final approval to the method of allocation and distribution  
4 of the Net Settlement Fund as set forth in the Agreement.

5           16.    The Parties shall submit a Joint Report regarding the distribution of residual  
6 funds under California Code of Civil Procedure § 384 by [DATE].

7           17.    The amounts of uncashed Settlement Checks will be sent to the California  
8 State Controller's office (or other government entity designated under California's  
9 unclaimed property law statutes) in accordance with paragraphs 29 and 30 of the  
10 Agreement.

11          18.    The release of claims set forth in Paragraphs 17.mm, 17.nn and 37-42 of the  
12 Agreement is incorporated by reference and effective as of the date that Allianz Life pays  
13 the last portion of the Gross Settlement Amount into the Settlement Fund under the  
14 Agreement, and forever discharges the Released Parties from any claims arising from or  
15 related to the Released Claims, as defined in the Agreement. This Court permanently  
16 bars and enjoins (except as to claims to enforce the Settlement):

17               i)    Plaintiffs and their Related Parties from filing, commencing,  
18 prosecuting, maintaining, intervening in, participating in, conducting, or  
19 continuing litigation as class members or otherwise, or from receiving any  
20 benefits from any lawsuit, administrative, arbitration, remediation or  
21 regulatory proceeding or order, or other legal proceeding in any  
jurisdiction, in accordance with the provisions of Section IV of the  
Agreement;

22               ii)   Plaintiffs and their Related Parties, and all persons in active concert  
23 or participation with them, from filing, commencing, or prosecuting a  
24 lawsuit, arbitration, remediation or other legal proceeding as a class action,  
a separate class, or group for purposes of pursuing a putative class action  
25 (including by seeking to amend a pending complaint to include class  
allegations or by seeking class certification in a pending action in any  
26 jurisdiction) on behalf of Plaintiffs, arising out of, based on, or relating to  
the Released Claims.

27          19.    Without affecting the finality of this Final Order and Judgment for purposes  
28 of appeal, and pursuant to California Rule of Court 3.769(h), the Court retains

1 jurisdiction as to all matters relating to the Action and Settlement, including modification,  
2 administration, consummation, enforcement, interpretation, and effectuation of the  
3 Agreement and the Final Order, and for any other necessary purposes; provided however,  
4 that nothing in this Paragraph shall restrict the ability of the Parties to exercise their rights  
5 under the Agreement which are not in conflict with the Final Approval Order and  
6 Judgment. The Parties submit to the jurisdiction of the Court for purposes of  
7 administration, construction, consummation, enforcement and interpretation of the  
8 Agreement and Settlement,

9       20. The Agreement is binding on, and has *res judicata* and preclusive effect in,  
10 all pending and future lawsuits, arbitrations, administrative proceedings, remediation  
11 proceedings, regulatory proceedings or other legal proceedings (as set forth more fully in  
12 the Release provisions of the Agreement) maintained by or on behalf of Plaintiffs and all  
13 other Settlement Class Members, as well as their heirs, executors, personal  
14 representatives, conservators, and administrators, predecessors, successors and assigns,  
15 that are encompassed by the Agreement or the Release.

16       21. Any appeal of the Judgment, or any part thereof, must be preceded by an  
17 objection to the Settlement which is rejected by the Court, in whole or in part.

18       22. Neither this Final Order and Judgment, nor the Agreement, nor any other  
19 documents they reference or attach, nor any action taken to carry out this Final Order and  
20 Judgment or the Agreement, is, may be construed as, or may be used as an admission or  
21 concession by or against Allianz Life of the validity of any claim or any actual or  
22 potential fault, wrongdoing, or liability whatsoever. Entering into or carrying out the  
23 Agreement, and any negotiations or proceedings relating to it, may not in any event be  
24 construed as, or deemed evidence of, an admission or concession as to Plaintiff's claims  
25 or Allianz Life's denials or defenses, and may not be offered or received in evidence in  
26 any action or proceeding against any party in any court, administrative agency, or other  
27 tribunal for any purpose whatsoever, except as evidence of the Settlement or to enforce  
28 the provisions of this Final Order and Judgment or the Agreement; provided, however,

1 that this Final Order and Judgment and the Agreement may be filed in any action against  
2 or by Allianz Life or the Class Members to support a defense of *res judicata*, collateral  
3 estoppel, release, waiver, good-faith settlement, judgment bar or reduction, full faith and  
4 credit, or any other theory of claim preclusion, issue preclusion, or similar defense or  
5 counterclaim to the extent allowed by law.

6 23. The Parties are authorized, without further approval from the Court, to  
7 agree to and adopt non-substantive amendments, modifications, or expansions of this  
8 Agreement and all exhibits attached hereto which (a) are consistent with the Judgment,  
9 and (b) do not limit the rights of Settlement Class Members and any Person entitled to  
10 Settlement Relief under the Agreement. Any substantive amendments, modification, or  
11 expansions of the Agreement require prior approval of the Court.

12 24. All documents containing Confidential Information under the terms of the  
13 Protective Order are to be disposed according to paragraphs 87-89 of the Agreement,  
14 notwithstanding any provisions of the Protective Order to the contrary.

15 25. There being no just reason for delay, the Court, in the interests of justice,  
16 directs the Clerk of the Court to enter this Final Order and Judgment, and decrees that,  
17 upon entry, it be deemed a final judgment.

18 **IT IS SO ORDERED.**

19  
20 Dated:

By:

\_\_\_\_\_  
Hon. Maren E. Nelson  
Judge of the Superior Court

**[EXHIBIT 03]**

1 ROBERT S. GIANELLI, #82116  
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10 Attorneys for Plaintiffs  
11 Diane V. Sanchez, Jules Confino on behalf  
12 of themselves and all others similarly situated

13 **IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
14 **COUNTY OF LOS ANGELES**

15 DIANE V. SANCHEZ, on behalf of herself  
16 and all others similarly situated,

17 Plaintiff,

18 vs.

19 ALLIANZ LIFE INSURANCE  
20 COMPANY OF NORTH AMERICA, and  
21 DOES 1-60, inclusive,

22 Defendants.  
23  
24  
25  
26  
27  
28

Case No.: BC594715

Assigned to Hon. Maren E. Nelson,  
Dept. SS17

**[PROPOSED] ORDER GRANTING  
PRELIMINARY APPROVAL OF  
CLASS-ACTION SETTLEMENT**

Date: June 23, 2022  
Time: 9:30 a.m.  
Dept.: SS17  
Spring Street Courthouse  
312 N. Spring Street  
Los Angeles, CA 90012



1 Plaintiffs Diane V. Sanchez and Jules Confino (“Plaintiffs”), on behalf of  
2 themselves and all others similarly situated, have moved for preliminary approval of the  
3 proposed class action Settlement reached with Defendant Allianz Life Insurance Company  
4 of North America (“Allianz Life”) in this lawsuit. After considering the Settlement, the  
5 moving papers, arguments of counsel, and all other matters presented to the Court, the  
6 Court finds that:

7 1. The Motion for Preliminary Approval is GRANTED. The Court  
8 preliminarily approves the proposed Settlement, as further set forth below. All defined  
9 terms in this Order have the same meanings as in the Settlement Agreement entered into  
10 by the parties and submitted to this Court.

11 2. This Action was originally filed on September 15, 2015, by Diane V.  
12 Sanchez, asserting claims for breach of contract, violations of California’s Unfair  
13 Competition Law (“UCL”) §17200, and for related declaratory relief on behalf of a  
14 putative class of owners and beneficiaries of certain Allianz Life-issued fixed annuity  
15 contracts characterized as “two-tier” because they had two separate contract values: a  
16 Cash Value, available to owners on surrender, and an Annuitization Value, available to  
17 owners only if they elected an annuitization payout of ten or more years and the  
18 annuitization occurred after five years from the effective date of issuance of the annuity.

19 3. In all of the iterations of the Complaint filed in this Action, Plaintiffs’  
20 allegations focused on (1) Allianz Life’s use of a component formula sometimes referred  
21 to as “the expense recovery adjustment” or the “haircut” in calculating nonguaranteed  
22 annuitization payments and (2) the annuity contract provisions governing full and partial  
23 surrender transactions. Plaintiffs alleged that, when an annuitization occurred within ten  
24 years after the effective date of issuance of an Annuity, Allianz Life’s use of the expense  
25 recovery adjustment calculation in its determination of annuitization payments greater  
26 than guaranteed under the Annuity either reduced the Annuitization Value of the Annuity  
27 or reduced the annuitization payments in violation of contractual promises. Plaintiffs  
28 also pursued other allegations of breach concerning annuitization, including that Allianz



1 Life's calculation of such annuitization payments breached contractual promises  
2 concerning "purchase rates." With respect to surrenders and partial surrenders of the  
3 annuities, Plaintiffs alleged that Allianz Life's Annuities obscured or did not properly  
4 disclose alleged penalties or other consequences associated with full surrenders or partial  
5 surrenders, including the alleged loss of a bonus that Plaintiffs asserted should have been  
6 included in the Cash Value of the Annuity contracts, that the contracts did not comply  
7 with various provisions of California statutes, including Cal. Civ. Code §§ 1442 and 1671  
8 and Cal. Ins. Code § 10127.13, and that the alleged penalties and surrender provisions  
9 were onerous and constituted forfeitures or impermissible penalties and/or were  
10 unenforceable under other legal doctrines.

11 4. On February 21, 2018, the Court granted leave to add Jules Confino and  
12 Doreen Confino as named plaintiffs, but only as to claims for declaratory relief. The  
13 First Amended Complaint was filed on February 22, 2018. On August 5, 2019, the Court  
14 entered a Stipulation and Order allowing the filing of a Second Amended Complaint  
15 ("SAC") in which Diane Sanchez asserted breach of contract and declaratory relief  
16 claims relating to a partial surrender taken from one annuity and the subsequent  
17 annuitization of her annuities. In the SAC, Jules Confino added claims for breach of  
18 contract relating to his 2018 full surrenders of two Allianz Life fixed annuities, and  
19 asserted claims for declaratory relief based on the allegations summarized in Paragraph 3  
20 of this Order concerning another Allianz Life annuity that he held in deferral. On  
21 November 27, 2019, the Court dismissed Doreen Confino without prejudice.

22 5. Plaintiffs moved for class certification, appointment of Class Counsel, and  
23 appointment of Jules Confino and Diane Sanchez as class representatives. On July 20,  
24 2020, the Court granted Plaintiffs' motion and certified Plaintiffs' breach of contract and  
25 related declaratory relief claims. It also appointed Gianelli & Morris and the Law Offices  
26 of Ronald Marron as Class Counsel and appointed Plaintiffs Diane Sanchez and Jules  
27 Confino as Class Representatives.  
28

1           6.     In October 2020, the Court approved the mailing of the Class Notice to  
2 class members after requiring several changes to the content of the notice.

3           7.     The Class Notice was initially mailed on October 30, 2020 to 26,839 class  
4 members. Supplemental mailings occurred in January and March 2021. The Class  
5 Notice administrator received a total of 37 valid requests to opt-out.

6           8.     Allianz Life expressly denies each and every claim and contention alleged  
7 or otherwise pursued against it by Plaintiffs in the Action. Allianz Life denies all  
8 allegations of wrongdoing or liability against it arising out of any of the conduct,  
9 statements, acts or omissions alleged, or that could have been alleged, in the Action.  
10 Allianz Life also denies that Plaintiffs' theories of damages expressed in any of their  
11 pleadings, filings, or Net Settlement Fund Distribution Plan are cognizable or predicated  
12 on a valid interpretation of the terms of the Settlement Annuities.

13           9.     After more than six years of investigation, discovery and litigation, the  
14 Parties have agreed to settle the Action. The Parties have conducted discussions and  
15 arm's length negotiations with each other using an experienced mediator. The proposed  
16 Settlement was concluded only after Plaintiffs and Allianz Life conducted their own  
17 investigations and evaluations of the factual and legal issues raised by Plaintiffs' claims  
18 and Allianz Life's defenses.

19           10.    Plaintiffs and Class Counsel have agreed to settle the Litigation after  
20 considering such factors as (a) the benefits to Plaintiffs and the Class provided by the  
21 Agreement; (b) the risks and uncertainty of litigation, especially in complex actions such  
22 as this, as well as the difficulties and delays inherent in such litigation; and (c) the  
23 desirability of consummating the Agreement in order to provide relief to Plaintiffs and  
24 the Class. Allianz Life considers it desirable for the Action to be settled and dismissed,  
25 because the settlement will: (i) provide substantial benefits to Allianz Life's Annuity  
26 owners; (ii) confer benefits on Allianz Life, including the avoidance of further expense  
27 and disruption of the management and operation of Allianz Life's business due to the  
28 pendency and defense of the Action; (iii) finally put the claims and the underlying

1 matters to rest; and (iv) avoid the substantial expense, burdens, and uncertainties  
2 associated with continuing the Action.

3 11. The Parties have entered into the Agreement previously filed with this  
4 Court.

5 12. The Court has reviewed the Agreement (and all its attachments including  
6 the Net Settlement Fund Distribution Plan at Exhibit 4) determined the proposed  
7 Settlement to be fair, reasonable, adequate, and within the range of possible approval, and  
8 the consideration being received for the release of class members' claims is reasonable in  
9 light of the strengths and weaknesses of the claims and the risks of this litigation. The  
10 proposed Settlement does not improperly grant preferential treatment to Plaintiffs or any  
11 segment of the Class.

12 13. The proposed Settlement is sufficient to warrant sending Class Notice to the  
13 Settlement Class Members. The procedures for establishing and administering the  
14 benefits provided by the proposed Settlement (including those found in the Net  
15 Settlement Fund Distribution Plan), for providing notice of the proposed Settlement, for  
16 exclusion from the Proposed Settlement, and for filing objections to the proposed  
17 Settlement are fair, reasonable, and in the best interests of the Class.

18 14. This Court previously certified a class in this case, and found that all of the  
19 elements of California Code of Civil Procedure Section 382 were satisfied, including  
20 numerosity, ascertainability, commonality, typicality, adequacy and superiority. Based  
21 on the Plaintiffs' Motion, the Memorandum of Points and Authorities, the Agreement,  
22 and all supporting exhibits and attachments, the Court finds for settlement purposes that  
23 all the elements of Section 382 remain satisfied including numerosity, ascertainability,  
24 commonality, typicality, adequacy and superiority.

25 15. The Court finds that the definition of the previously certified class should be  
26 modified slightly, as set forth below, to define the members of the class in more detail and  
27 in a way that is aligned with the relief afforded by the Settlement.  
28

1           16. For purposes of the proposed settlement, and conditioned upon the  
2 Agreement receiving final approval following the Final Approval Hearing, the Court  
3 hereby preliminarily and conditionally certifies the Settlement Class, as defined in  
4 Paragraph 17.tt and 17.uu of the Agreement:

- 5
- 6           (a) Any Owner of an Annuity that, as of the Annuity Status Date (March 31,  
7 2022) has not (a) been fully surrendered, (b) not been partially or wholly  
8 annuitized, (c) and not become eligible for death benefits, except if the  
9 Settlement Annuity was continued in effect by a surviving spouse of the  
10 Owner;
- 11           (b) Any Owner of an Annuity that was annuitized for the Annuitization Value  
12 between September 15, 2011 and the Annuity Status Date (March 31,  
13 2022) if such annuitization occurred within 10 years after the Settlement  
14 Annuity's effective date of issuance, unless the annuity option taken was  
15 Annuity Option D, referred to as "Benefit Deposited With Interest";
- 16           (c) Any Owner of an Annuity that was fully surrendered for the Cash Value  
17 of the Annuity between September 15, 2011 and the Annuity Status Date  
18 (March 31, 2022);
- 19           (d) Any Beneficiary of an Annuity who between September 15, 2011 and the  
20 Annuity Status Date (March 31, 2022) elected to receive the Death  
21 Benefit either (a) in the form of a lump sum payment of the Cash Value or  
22 (b) in the form of equal periodic installments of the Annuitization Value  
23 over five or more years if such election was made within 10 years after  
24 the Annuity's effective date of issuance;
- 25           (e) Any Owner of an Annuity that at any time from September 15, 2011 to  
26 the Annuity Status Date (March 31, 2022) had a Penalty-Incurring Partial  
27 Surrender.

28           17. For the purposes of the Settlement Class Definition, "Annuity" means a  
fixed deferred annuity issued in California by Allianz Life that is one of the following  
product types: Bonus Maxxx (including all versions of that product type), BonusDex,  
Bonus Maxxx Elite, BonusDex Elite, 10% Bonus PowerDex Elite or MasterDex 10.

1           18.    The Court excludes the following Annuities and persons from the class:

- 2           (a)    Annuities that were the subject of the settlements in *Iorio, et al. v.*  
3                *Allianz Life Insurance Company of North America*, U.S.D.C. (S.D. Cal.)  
4                Case No. 05-cv-0633 JLS and *Negrete v. Allianz Life Ins. Co. of No. Am.*  
5                (C.D. Cal.) Case Nos. CV 05-06838 CAS (MANx), CV 05-8908 CAS  
6                (MANx);
- 7           (b)    Annuities that on March 31, 2022 at 11:59 p.m. do not meet the criteria  
8                required for the Owner or Beneficiary to be part of the Class;
- 9           (c)    Any person who, in response to the Class Notice timely submitted a  
10                written request to be excluded from the Class with respect to any  
11                Annuity in which that person had an interest.

12           19.    The Court appoints Plaintiffs Diane V. Sanchez and Jules Confino as Class  
13                Representatives, and the law firms of Gianelli & Morris and the Law Offices of Ronald  
14                A. Marron, as Class Counsel for the Class.

15           20.    A Final Approval Hearing will be held on [DATE] at [TIME] a.m. [a date  
16                **not less than 120 days after entry of Preliminary Approval Order**], in Department  
17                SSC-17 of the Superior Court, County of Los Angeles, Spring Street Courthouse, 312 N.  
18                Spring Street, Los Angeles, California 90012, to consider the fairness, reasonableness,  
19                and adequacy of the proposed Settlement and whether it should be finally approved by  
20                the Court.

21           21.    The Court has reviewed the form of a notice of proposed settlement and  
22                Final Approval Hearing (“Class Action Settlement Notice”) attached as Exhibit 1 to the  
23                Agreement, and the Agreement’s provisions governing distribution of the notice  
24                (Paragraphs 49-53, and 57.a-k). The Court has determined that the Class Action  
25                Settlement Notice and the plan for distribution of the same:

- 26                (a)    constitute the best practicable notice under the circumstances;
- 27                (b)    are reasonably calculated to apprise identified Settlement Class  
28                Members of the pendency of the Litigation and of their right to  
                object to the proposed Settlement;

- 1 (c) are reasonable and constitute due, adequate, and sufficient notice to  
2 all persons entitled to receive notice; and  
3 (d) meet all applicable requirements of Rule 3.769 of the California  
4 Rules of Court, California law and the United States Constitution  
and its Amendments.

5 22. The Court approves the form of the Class Action Settlement Notice and the  
6 plan for its distribution. Allianz Life and Class Counsel are therefore authorized to:

- 7 (a) establish the means necessary to effectuate notice of the proposed  
8 Settlement, in accordance with the terms of the Agreement; and  
9 (b) retain a Settlement Administrator to help administer the distribution  
10 and administration of the Class Action Settlement Notice.

11 23. The Court has considered the qualifications and experience of the proposed  
12 class administrator and appoints KCC Class Action Services, LLC as the Settlement  
13 Administrator to implement the terms of the Agreement.

14 24. The Settlement Administrator will mail the Class Action Settlement Notice  
15 to each identified Settlement Class Member by first-class mail, postage prepaid, to his or  
16 her last known address no later than 30 days after entry of this Order, as described in the  
17 Agreement.

18 25. The Settlement Administrator shall file proof of the mailing of the Class  
19 Action Settlement Notice at or before the Final Approval Hearing.

20 26. Within 30 days of the Court's entry of the Preliminary Approval Order,  
21 Allianz Life shall pay \$120,000.00 of the Gross Settlement Amount into the Settlement  
22 Fund under the control of the Settlement Administrator to pay the Settlement  
23 Administration Costs, including the costs of distributing the Class Action Settlement  
24 Notice.

25 27. Class Counsel will file their motion for approval of Class Counsel's fees,  
26 expenses, and Class Representative service award no later than 30 days after entry of this  
27 Order.  
28



1           28. Each Settlement Class Member who wishes to exclude himself or herself  
2 from the Class must submit to the Settlement Administrator at the address provided in the  
3 Class Action Settlement Notice a written request for exclusion, postmarked no later than  
4 35 days after the date of mailing or re-mailing of the notice, except that, if the Settlement  
5 Administrator receives a notice of returned mail for a Settlement Class Member less than  
6 55 days before the Final Approval Hearing, the deadline for that Class Member's request  
7 for exclusion shall be 20 days before the Final Approval Hearing.

8           29. Any Settlement Class Member who does not file a timely written request  
9 for exclusion shall be bound by all subsequent proceedings, orders, and judgments in this  
10 Action, including, but not limited to, the Release, even if he or she has litigation pending  
11 or subsequently initiates litigation against Allianz Life with respect to the Released  
12 Claims.

13           30. Each Settlement Class Member who wishes to object to the fairness,  
14 reasonableness, or adequacy of the Agreement, the proposed Settlement, or to the  
15 requested award of attorneys' fees and expenses must mail to the Settlement  
16 Administrator at the address provided in the Class Action Settlement Notice a written  
17 statement of the objections, setting forth the following information: (i) the Settlement  
18 Class Member's name, address, telephone number, signature; (ii) the specific reasons (if  
19 any) for each objection, including any legal support the Settlement Class Member wishes  
20 to bring to the Court's attention; and (iii) any evidence or other information the  
21 Settlement Class Member wishes to submit. Any such objection shall be postmarked  
22 within 35 days after the mailing or re-mailing of the Class Action Settlement Notice,  
23 except that, if the Settlement Administrator receives a notice of returned mail for a  
24 Settlement Class Member less than 55 days before the Final Approval Hearing, the  
25 deadline for that Class Member's objection shall be 20 days before the Final Approval  
26 Hearing.

27           31. Each Settlement Class Member who wishes to dispute the amount of their  
28 estimated Settlement Check as set forth in the Class Action Settlement Notice must mail

1 to the Settlement Administrator at the address provided in the Class Action Settlement  
2 Notice a written statement of the dispute, as well as the specific reason(s), if any, for the  
3 dispute, including any legal support the Settlement Class Member wishes to bring to the  
4 Court's attention and any evidence or other information the Settlement Class Member  
5 wishes to introduce in support of the statement of dispute. The written statement of  
6 dispute must also contain the Settlement Class Member's name, address, signature, and  
7 telephone number. Any such statements of dispute shall be postmarked within 35 days  
8 after the mailing or re-mailing of the Class Action Settlement Notice, except that, if the  
9 Settlement Administrator receives a notice of returned mail for a Settlement Class  
10 Member less than 55 days before the Final Approval Hearing, the deadline for that Class  
11 Member's statement of dispute shall be 20 days before the Final Approval Hearing.

12 32. Settlement Class Members who fail to dispute the amount of their estimated  
13 Settlement Check will not be entitled to later challenge the amount of their payments.

14 33. The Settlement Administrator shall deliver to Class Counsel, Allianz Life's  
15 Counsel, and the Court copies of any objections or written statements of dispute that it  
16 receives.

17 34. Any Settlement Class Member who files and serves a timely written  
18 objection or written statement of dispute may appear at the Final Approval Hearing,  
19 either in person or through counsel hired at the Settlement Class Member's expense, to  
20 object to the fairness, reasonableness, or adequacy of this Agreement or the proposed  
21 Settlement.

22 35. Any Settlement Class Member who objects to the Settlement and/or  
23 disputes the amount of the estimated Settlement Check will be entitled to all of the  
24 benefits of the Settlement if it is approved, as long as the objecting Settlement Class  
25 Member complies with all requirements of the Agreement.

26 36. All proceedings in the Litigation are stayed until further order of the Court,  
27 except as may be necessary to implement the proposed Settlement or to comply with the  
28 terms of the Agreement.



1           37. This Order will become null and void, and will not prejudice the rights of  
2 the Parties, all of whom shall be restored to their respective positions existing  
3 immediately before this Court entered this Order, if: (a) the proposed Settlement is not  
4 finally approved by the Court, or does not become final, pursuant to the terms of the  
5 Agreement; or (b) the Settlement is terminated in accordance with the terms of  
6 Agreement. If any of these events occurs, the Settlement and Agreement will become  
7 null and void and be of no further force and effect, and neither the Agreement nor this  
8 Order may be used in the Litigation or in any other proceeding for any purpose.

9           38. In no event may the Settlement or any of its provisions, or any negotiations,  
10 statements, or proceedings relating to it, be offered as, received as, used as, or deemed to  
11 be evidence in the Litigation, any other action, or in any other proceeding, except in a  
12 proceeding to enforce the Agreement. Without limiting the preceding sentence, neither  
13 the Agreement nor any related negotiations, statements, or proceedings may be offered  
14 as, used as, or deemed to be evidence or an admission or concession by any person of any  
15 matter, including but not limited to any liability or wrongdoing on the part of Allianz  
16 Life.

17           39. The Court reserves the right to continue the Final Approval Hearing without  
18 further written notice to the Settlement Class, but will notify counsel for the Parties and  
19 any objectors or their counsel who have timely filed a notice of intention to appear in  
20 these proceedings. Unless the Court specifically orders otherwise, any such continuance  
21 will not be interpreted to expand or change any deadlines contained in this Order or the  
22 Agreement.

23           **IT IS SO ORDERED.**

24  
25 Dated:

By: \_\_\_\_\_

Hon. Maren E. Nelson  
Judge of the Superior Court

**[EXHIBIT 04]**

## **NET SETTLEMENT FUND DISTRIBUTION PLAN**

Class Counsel's expert on damages, Lewis and Ellis, Inc., health and life insurance actuaries ("Lewis & Ellis"), has analyzed Annuity data for every Settlement Class Member from September 15, 2011 through March 31, 2022.

Forty-six percent (46%) of the Net Settlement Fund is allocated to relief for Annuitized Settlement Annuities and fifty-four percent (54%) of The Net Settlement Fund is allocated to relief for Surrendered Settlement Annuities and Penalty-Incurring Partial Surrenders.

Settlement Class Members will be compensated from their tranche of the Net Settlement Fund based on their proportional share of the total alleged damages Plaintiffs would have sought to recover at trial for the above annuitized and surrendered groups.

"Net Settlement Fund" as used in this plan means the Gross Settlement Amount less (i) attorneys' fees and litigation expenses awarded to Class Counsel by the Court; and (ii) any service awards to the Class Representatives awarded by the Court; and (iii) the Settlement Administrative Expenses.

### **I. Distribution Plan for Annuitized Settlement Annuities**

Lewis & Ellis has calculated for each Annuitized Settlement Annuity the Annuitization Value on the date of annuitization multiplied by the ERA percentage that was used to determine annuitization payments. The resulting amount is referred to below as the "Individual Settlement Class Member's Alleged Annuitization Damage." If a Settlement Class Member was the owner of more than one Annuitized Settlement Annuity, the Alleged Annuitization Damage for each such annuity will be summed to arrive at the Individual Settlement Class Member's Alleged Annuitization Damage.

The aggregate Alleged Annuitization Damage for all Annuitized Settlement Annuities in the Settlement Class is referred to below as the "Total Settlement Class Alleged Annuitization Damage."

Each Settlement Class Member who had Alleged Annuitization Damage will receive a Settlement Check that contains a pro-rata share of the Total Settlement Class Alleged Annuitization Damage.

The formula applicable to each Annuitized Settlement Annuity will be the following:

$$(\text{Net Settlement Fund} * .46) / \text{Total Settlement Class Alleged Annuitization Damage} = A$$

$$A * \text{Individual Settlement Class Member's Alleged Annuitization Damage} = \text{Settlement Check Annuitization Amount}$$

## **II. Distribution Plan for Surrendered Settlement Annuities and Penalty-Incurring Partial Surrenders.**

### **A. Full Surrenders**

Lewis & Ellis has calculated for each Surrendered Settlement Annuity (1) the Cash Value that a Settlement Class Member received upon full surrender, (2) the Cash Value Plaintiffs allege each Class Member would have received if a bonus had been included in the Cash Value; and (3) the difference between (1) and (2).

The total individual difference between (1) and (2) for each Surrendered Settlement Annuity is referred to below as the "Individual Settlement Class Member's Alleged Surrender Damage."

### **B. Penalty Incurring Partial Surrenders**

Lewis & Ellis has calculated for each Penalty Incurring Partial Surrender, the amount withdrawn from the Settlement Annuity times the "Premium Bonus Percentage" or "Annuitization Bonus" percentage shown in the Settlement Annuity's Policy Schedule listed in the Policy Schedule. The product of this calculation is also referred to as "Individual Settlement Class Member's Alleged Surrender Damage."

### **C. Calculation of Settlement Checks for Alleged Surrender Damages**

The aggregate Alleged Surrender Damage for all Settlement Annuities in the Settlement Class is referred to below as "Total Settlement Class Alleged Surrender Damage."

If a Settlement Class Member was the owner of more than one Settlement Annuity that had Alleged Surrender Damages, the Alleged Surrender Damage for each such Settlement Annuity will be summed to arrive at the Total Settlement Class Member's Alleged Surrender Damage.

Each Settlement Class Member who had Alleged Surrender Damage will receive a Settlement Check that contains a pro-rata share of the Total Settlement Class Alleged Surrender Damage.

The formula applicable to each (1) Surrendered Settlement Annuity or (2) Penalty - Incurring Partial surrender, will be the following:

$$(\text{Net Settlement Fund} * .54) / \text{Total Settlement Class Alleged Surrender Damage} = S$$

$S * \text{Individual Settlement Class Member's Alleged Surrender Damages} = \text{Settlement Check Surrender Amount.}$

### **III. Class Members with Multiple Annuities Eligible for Participation in the Net Settlement Fund**

Some Settlement Class Members may have multiple Settlement Annuities that provide a basis for sharing in the Net Settlement Fund. In addition, some Settlement Class Members may have Settlement Annuities in different categories (Annuitized or Surrendered). The Parties' intent is that the Settlement Administrator will sum all amounts payable for each Settlement Annuity of a Settlement Class Member into one Settlement Check. However, the Settlement Administrator may in some instances need to issue multiple checks to the same Settlement Class Member.

**[EXHIBIT 05]**



## KCC Class Action Services Resume

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KCC is an industry leader in class action settlement administration. We administer claims processes and distribute funds in a vast array of varying matters, ranging from small and simple settlements to multi-year complex settlements involving millions of claimants.

KCC's parent company, Computershare, is a publicly traded company which, among its many business lines, provides global financial services centering on communications with customers on behalf of our corporate clients. Computershare employs over 12,000 people and does business with more than 25,000 clients in more than 21 countries. KCC's operations are regulated by federal agencies, including both the SEC and OCC. KCC has the largest infrastructure in the class action industry, and is backed by superior data security, call center support and technology. In addition to the immense resources and capabilities brought to bear through Computershare, KCC can execute all operations in-house with zero outsourcing; a capacity which allows for full quality control over each aspect of service.

KCC has administered over 7,200 class action matters and handled thousands of distribution engagements in other contexts as well. Our call centers handle 13.9 million calls each year. Our domestic infrastructure can open and scan 200,000 claims in a single day, and we have document production capabilities that print and mail millions of documents annually. Last year, our disbursement services team distributed more than \$1.6 billion (USD) across four million class payments.

### Locations

KCC has an administrative office in El Segundo, CA, operation offices in San Rafael, CA, and Louisville, KY, and presence in the East Coast, South and Midwest. In addition to these offices, KCC has the global support of Computershare. In the United States Computershare has more than 20 offices.

### KCC Personnel

KCC's experienced team of experts knows first-hand the intricacies contained in every aspect of settlement administration, and approach each matter with careful analysis and procedural integrity. Each client is assigned a team of experienced consultants, specialists and technology experts who serve as knowledgeable, reliable and accessible partners that have earned a reputation for exceeding clients' expectations. KCC's executive team – Gerry Mullins, President; Bryan Butvick, Executive Vice President; and Daniel Burke, Executive Vice President – are experienced industry leaders.

Our personnel have considerable experience which includes years of practice with KCC and related endeavors. KCC's professionals have extensive training, both on-the-job and formal, such as undergraduate and advanced business, information technology and law degrees, and they possess and/or have had licenses and certificates in disciplines that are relevant to class action administration.

### Recognition

Our settlement administration services have been recognized by *The National Law Journal*, *The New York Law Journal*, *The New Jersey Law Journal*, *The Recorder*, *Legal Intelligencer*, *Legal Times* and other leading publications. KCC has earned the trust and confidence of our clients with our track record as a highly-responsive partner.

Settlement Value	
Case	Value
Fortis Settlement	\$1,572,690,000
Ramah Navajo Chapter v. Jewell	\$940,000,000
U.S.A. v. The Western Union Company	\$586,000,000
Vaccarino v. Midland National Life Ins. Co	\$555,000,000
In re Facebook Biometric Info. Privacy Litig.	\$550,000,000
Safeco v. AIG	\$450,000,000
Johnson v. Caremark Rx, LLC	\$310,000,000
In re Activision Blizzard, Inc. Stockholder Litigation	\$275,000,000
Harborview MBS	\$275,000,000
Dial Corp. v. News Corporation, et al.	\$244,000,000
In re Medical Capital Securities Litigation Settlement	\$219,000,000
In Re: NCAA Athletic Grant-In-Aid Antitrust Litigation	\$208,664,445
Gutierrez v. Wells Fargo Bank, N.A	\$203,000,000
Postmates Mass Arbitration Settlement	\$179,000,000
BlueCrest Capital Management Limited	\$170,000,000
Bell v. Farmers - Bell III	\$170,000,000
In Re Diamond Foods, Inc. Securities Litigation	\$167,000,000
In re JPMorgan Chase & Co. Securities Litigation	\$150,000,000
Haddock v. Nationwide Life Insurance Co. Settlement	\$140,000,000
In re Freeport-McMoran Copper & Gold Inc. Derivative Litigation Notice	\$137,500,000
Bank of America, et al. v. El Paso Natural Gas Company, et al.	\$115,000,000
In re Anthem, Inc. Data Breach Litigation	\$115,000,000
In re Medical Capital Securities Litigation Settlement	\$114,000,000
Drywall Acoustic Lathing v. SNC Lavalin	\$110,000,000
In re Automotive Parts Antitrust Litigation III	\$103,000,000
Rural/Metro Corporation Stockholders Litigation	\$97,793,880
J.C. Penney Securities Litigation	\$97,500,000
Smokeless Tobacco Cases	\$96,000,000
Oubre v. Louisiana Citizens	\$92,865,000
Ardon v. City of Los Angeles	\$92,500,000
Nishimura v. Gentry Homes, Ltd. II	\$90,341,564
In Re: Potash Antitrust Litigation (II) (Escrow)	\$90,000,000
Ormond, et al, v. Anthem, Inc.	\$90,000,000
In re DRAM Antitrust Litigation	\$87,750,000
In re: Morning Song Bird Food Litigation	\$85,000,000
Ideal v. Burlington Resources Oil & Gas Company LP	\$85,000,000
Willoughby v. DT Credit Corporation, et al. (Drivetime)	\$78,000,000
In Re Tesla Motors, Inc. Stockholder Litigation	\$60,000,000



Class Members	
Case	Volume
Edwards v. National Milk Producers Federation et al.	90,000,000
In re Anthem, Inc. Data Breach Litigation	80,000,000
Carrier IQ Inc. Consumer Privacy Litigation	47,300,000
The Home Depot, Inc. Customer Data Security Breach Litigation	40,000,000
In re Facebook Biometric Info. Privacy Litig.	30,000,000
In Re Midland Credit Management, Inc. TCPA Litigation	30,000,000
Golden v. ContextLogic Inc. d/b/a Wish.com	29,222,936
Cassese v. WashingtonMutual	23,200,344
In re Wawa, Inc. Data Security Litigation	22,000,000
Rael v. The Children's Place, Inc.	22,000,000
In Re Optical Disk Drive Antitrust Litigation	20,000,000
In re UltraMist Sunscreen Litigation	20,000,000
Torres v. Wendy's International, LLC	18,000,000
In Re Lithium Ion Batteries Antitrust Litigation	16,000,000
Gordon v. Verizon Communications, Inc.	15,236,046
Experian Data Breach Litigation	15,000,000
Opperman v. Kong Technologies, Inc. et al.	13,279,377
Lerma v Schiff Nutrition International, Inc.	12,000,000
Kolinek v. Walgreen Co.	10,213,348
Dunstan v. comScore, Inc.	10,000,000
Sprint Government Restitution Program	9,500,000
Steinfeld v. Discover Financial Services	9,088,000
Cohen, et al. v. FedEx Office and Print Services, Inc., et al.	9,000,000
Elvey v. TD Ameritrade, Inc.	8,639,226
In Re: Monitronics International, Inc. Telephone Consumer Protection Act Litigation	7,789,972
In re Portfolio Recovery Associates Telephone Consumer Protection Act Litigation	7,395,511
Morrow v. Ascena Retail Group, Inc. and Ann Inc.	7,277,056
Shames v. The Hertz Corporation	7,271,238
In Re Facebook Biometric Information Privacy Litigation	7,000,000
Roberts, et al. v. Electrolux Home Products, Inc.	6,305,000
Chambers v. Whirlpool Corporation, et al.	5,788,410
Martin v. Safeway Inc.	5,610,739
Morales v. Conopco Inc. dba Unilever (TRESemmé Naturals)	5,000,000
Murray v. Grocery Delivery E-Services USA Inc. dba Hello Fresh	5,000,000

## I. DATA SECURITY

### **Information Security Policy**

KCC's security policies specifically address the confidentiality, integrity, and availability of our facilities, systems and information in our possession and control.

As a subsidiary of Computershare, KCC has a comprehensive and forward-looking information security program, which is approved by Computershare's Board of Directors and updated with changes annually. Our information security program is designed to ensure the security and confidentiality of personally identifiable information (PII), protect against any anticipated threats or hazards to the security or integrity of such information, and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any client. In addition, our program ensures that comprehensive risk assessments, security assessments and compliance with the company's security policies and procedures are in place and ongoing. Examples of our information security measures include:

- Access to production data is limited to employees whose job function requires access, and that access is confined to only the data that is necessary to perform the job. Reviews of those individuals who have access to production systems are performed regularly.
- Network access and associated management is restricted to dedicated networks and communication teams. Access for router, switch and other network infrastructure is heavily restricted and is subject to regular management and audit review.
- Software developers do not have access to software source code once it has migrated from the development environment to testing.
- Backup storage of data is controlled and secured using our established guidelines. Media containing PII is encrypted prior to sending off-site to any data management vendors.
- Established multiple Electronic File Transfer (EFT) service offerings to facilitate data exchange. Services currently supported are standard FTP (with PGP File Encryption), Secure FTP (over SSH) and HTTPs (HTTP Web over SSL).
- Documented procedures to protect against fraud and attempted identity theft. For example, the Red Flag program was implemented to protect against fraud and identity theft and further compliance with joint regulations enacted by various bank regulatory agencies, including the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration and the Federal Trade Commission. Specific Red Flag indicators that employees are trained to recognize include, but are not limited to, inquiries where:
  - Documents provided for identification appear altered or forged;
  - Suspicious, inconsistent or altered personal identifying information is presented;
  - Unauthorized users attempt to access an account;
  - Unauthorized transactions on a client's account;
  - Information provided does not match any address or other information on the account;
  - Social Security number presented is incorrect;
  - The person is unable to correctly answer challenging questions concerning the account;
  - Mail sent to a class member or client is repeatedly returned as undeliverable, despite ongoing transactions on an active account; and



- When questioned, the person is evasive and especially unclear about what they are trying to accomplish on the account.

In addition, KCC takes all necessary precautions to safeguard any and all PII. KCC complies with all applicable state and federal laws regarding security and confidentiality.

During the ordinary course of business, KCC routinely has access to PII, such as names, Social Security numbers, addresses, e-mail addresses, bank account details, and other similar class member information. KCC uses this information to maintain claimant accounts, process requests and provide interested organizations and parties with the best possible service.

KCC utilizes appropriate technical and physical security measures to protect PII and to ensure that it is not accessed by unauthorized persons. Information is held on secure servers and is encrypted, where appropriate and practicable.

KCC performs penetration testing on our security program, including annual third party penetration tests and monthly scans.

KCC regularly undergoes penetration or vulnerability assessments of our network environment performed by an independent security firm.

### **Organization Security**

KCC's dedicated Information Security and Privacy Group is responsible for implementing, enforcing and monitoring our information security.

KCC has adopted a security breach incident response policy and has incorporated it into its information security program in the event of an incident. The policy requires reporting to designated management personnel in an established format. Incidents are logged in the Incident Management System. The reporting will include, among other things, the circumstances surrounding the incident, the volume and type of information thought to be lost or compromised, and an evaluation of the likelihood that the information has been or will be misused. Documentation is maintained on previous incidents, outcomes and issues including any remediation efforts. The security breach incident response policy is reviewed, tested and updated annually.

KCC also has a Computer Emergency Response Team to handle hacking and other system attacks.

KCC receives security vulnerability advisories including receives alerts depending on when there is a vulnerability identified. KCC will then conduct an assessment to decide if that vulnerability affects us in any fashion.

### **Personnel Security**

All employees dealing with sensitive data undergo full background checks and are screened for potential security risks.

### **Physical and Environmental Security**

All KCC offices have perimeter security including electronic keycard access and video camera monitoring.

KCC has specific procedures in place for cleansing and/or destroying computer media to ensure confidential information is adequately protected. Media is triple-wiped before being reassigned. All media that is to be retired is sent offsite for destruction. A certificate of destruction is then presented to KCC.

KCC has procedures in place to ensure documents containing sensitive information are not discarded in whole, readable form and that they are shredded, burned or otherwise destroyed. Iron Mountain bins are located throughout the building, and we have implemented a policy instructing employees to discard any sensitive materials in the bins. Upon destruction of the information, Iron Mountain sends us a certificate of destruction.



## **II. INSURANCE**

Our Professional Indemnity insurance covers any claim which arises out of any wrongful professional act subject to terms and conditions of the policy with a policy limit of not less than \$10 million. Our Comprehensive Crime / Electronic & Computer Crime Insurance covers loss sustained as a result of infidelity of employees, loss on premises, in transit, forgery or alteration and other fraudulent activities subject to terms and conditions of the policy. The policy also covers electronic and computer crimes. The policy limit is not less than \$10 million. We do not maintain a Fidelity Bond. KCC is prepared to provide the appropriate parties certificates of insurance as evidence of our coverage.