

STATE OF NORTH CAROLINA

IN THE GENERAL COURT OF JUSTICE

SUPERIOR COURT DIVISION

FILE NO. 06 CVS 13617

WAKE COUNTY

LINDA CARL and CHARLES R. EILBER,)
Individually and on behalf of All Others Similarly)
Situated,)

Plaintiffs,)

v.)

STATE OF NORTH CAROLINA,)
NORTH CAROLINA TEACHERS')
AND STATE EMPLOYEES' COMPREHENSIVE)
MAJOR MEDICAL PLAN, a/k/a THE STATE)
HEALTH PLAN and MEDAMERICA)
INSURANCE COMPANY,)

Defendants.)

NOTICE OF PROPOSED
CLASS ACTION SETTLEMENT

**PLEASE READ THIS NOTICE CAREFULLY
A COURT AUTHORIZED THIS NOTICE.
THIS IS NOT A SOLICITATION and YOU ARE NOT BEING SUED.**

**YOU HAVE BEEN IDENTIFIED AS A MEMBER OF THE CLASS ACTION LAWSUIT
AGAINST MEDAMERICA INSURANCE CO. AND THE STATE HEALTH PLAN.**

**THIS CLASS ACTION LAWSUIT HAS BEEN SETTLED
AND MAY AFFECT YOUR RIGHTS.**

**YOU ARE ENTITLED TO RECEIVE BENEFITS
UNDER THE PROPOSED SETTLEMENT**

A class action was brought by Plaintiffs against MedAmerica Insurance Company and the North Carolina State Health Plan because of the increase in premiums for some of the Class Members for their long term care insurance provided by MedAmerica when you enrolled in the MedAmerica individual, direct-pay conversion policy. The case has been assigned to the Honorable Catherine C. Eagles, Senior Resident Superior Court Judge Presiding. Judge Eagles certified this matter as a class action on August 11, 2009. The parties have reached a Settlement Agreement and Judge Eagles has directed that this Notice be provided to you to inform you of your rights in the proposed Settlement as a member of the Class. **You should read the entire Notice carefully because your legal rights are affected whether you act or not.**

YOUR LEGAL RIGHTS AND OPTIONS IN THIS LAWSUIT

<p>YOU CAN DO NOTHING AND REMAIN A CLASS MEMBER AND RECEIVE BENEFITS UNDER THE SETTLEMENT</p>	<p>Stay in this lawsuit as a Class member and receive the benefits of the Settlement. This Settlement offers benefits to members of the Class in two forms: (1) monetary payment for those Class members whose premiums increased when they enrolled in the MedAmerica individual policy; (2) limitations on MedAmerica’s ability to raise premium rates in the future for all Class members. By doing nothing, you remain a Class member and can get your share of the Settlement benefits, either in the form of monetary payment and/or through the limitations and restrictions on MedAmerica’s ability to raise premiums in the future. But, if you remain a class member in this case, you give up any rights to sue the State of North Carolina, the State Health Plan and MedAmerica Insurance Company separately about the same legal claims in this lawsuit. In other words, you can remain a member of this class action and receive the benefits of the Settlement of this case or you can bring a suit on your own, separately, but you cannot do both.</p> <p>If you do nothing and remain a member of the Class, if you are entitled to receive monetary payment, you will receive a check through the United States postal service, first class, in the amount of your share of the Settlement proceeds. Checks will be mailed within sixty days of the Final Approval of the Settlement.</p>
<p>YOU CAN ASK TO BE EXCLUDED AND NOT BE A CLASS MEMBER</p>	<p>Get out of this lawsuit. This is called “opting-out.” By opting out, you get no benefits or money from the Settlement. If you opt out, you will have to pursue any claims against the State of North Carolina, the State Health Plan, and MedAmerica on your own at your own expense.</p>
<p>YOU CAN OBJECT TO THE SETTLEMENT</p>	<p>You can file a written objection to the proposed Settlement to voice your opposition to the Settlement. You cannot both exclude yourself and object to the proposed Settlement.</p>

BASIC INFORMATION

1. Why did I get this notice package?

MedAmerica Insurance Company’s records indicate that you were a certificate holder in the MedAmerica group long term care insurance policy offered through the State Health Plan and you converted to a MedAmerica direct-pay, individual policy when your group certificate terminated as of December 31, 2004.

The Court certified this matter as a class action. The class definition is as follows:

All enrollees in Long Term Care Benefits through the State Health Plan under a group policy of insurance by MedAmerica Insurance Company who purchased individual long term care policies from MedAmerica following the termination of the MedAmerica group policy by the State Health Plan as of December 31, 2004.

YOU HAVE BEEN IDENTIFIED AS A MEMBER OF THE CLASS. You will remain a member of the class and be entitled to your share of the benefits under the Settlement unless you exclude yourself.

2. What is this lawsuit about?

This lawsuit is about premiums for long term care insurance, specifically the premiums for the Long Term Care Benefits provided by the State Health Plan through MedAmerica Insurance Company and the premiums for the direct-pay, individual policies that you purchased from MedAmerica when your coverage through the State Health Plan terminated.

Plaintiffs assert that the premiums for your Long Term Care Benefits were promised to be (1) based on the age of your enrollment and (2) not subject to change unless the claims experience justified a change. Plaintiffs claim that MedAmerica and the State Health Plan breached these promises when your certificates for your group insurance with MedAmerica were terminated and MedAmerica offered you individual policies as it was required under your group certificate. For some of you, your MedAmerica individual policy resulted in higher premiums.

Plaintiffs brought suit asserting claims of breach of contract against MedAmerica and the State Health Plan for the past and anticipated future premium increases for your MedAmerica individual, direct-pay policy. The parties, without admitting any liability on the part of either the State Health Plan or MedAmerica, have now agreed to settle the lawsuit, and this Settlement provides you with benefits.

3. What is a class action?

In a class action, one or more people called "Class Representatives" (in this case, Linda Carl and Charles Eilber) sue on behalf of other people who have similar claims. The people together are a "Class" or are "Class Members." The Class Representatives and the Class Members are called Plaintiffs. The entities or companies being sued, MedAmerica and the State Health Plan, are called Defendants. The Court that allowed this matter to be a Class Action will resolve the issues for everyone in the Class – except for those people who ask to be excluded from the Class by "opting out."

4. Why is this lawsuit a class action?

The Court decided that this lawsuit can be a class action because it meets the requirements of North Carolina Rule of Civil Procedure 23, which governs class actions in North Carolina state court. Specifically, the Court found that there were approximately 2,500 MedAmerica insureds who were affected by the same conduct – the termination of the MedAmerica group certificates and their enrollment in the MedAmerica individual policies. For 2,240 of you, the premiums for your long term care insurance with MedAmerica increased when you converted to the individual policy. The Court further found that the common legal and factual issues were more important than the issues that affect only individuals. Finally, the Court found that the class action will be more efficient than having many individual lawsuits because of the common issues. In other words, it was faster and more efficient to resolve the claims for over 2,500 people through one case.

5. What Does the Proposed Settlement Provide?

The proposed Settlement provides for a monetary payment in the amount of five million and six hundred thousand dollars (\$5,600,000). The monetary payment, net of attorney's fees and expenses, will be distributed to the Class members who experienced a premium increase when they converted to the MedAmerica individual policy, based on the amount of increased premium they have paid. If your insurance premiums increased, or if they would have increased had you left your coverage at the same level, you will receive a check for your share of the monetary payment if this proposed Settlement is

approved by the Court. Your share of the settlement proceeds, and the method by which it was calculated, is set forth in the appendix at the end of this Notice.

The proposed Settlement also limits the amount of future premium increases that MedAmerica can request from the N.C. Department of Insurance. The limitations on future premium increases are expressed as follows: no more than 7.5% in 2010; 6% in 2012; 6% in 2014; 6% in 2016; 6% in 2018 and 6% in 2020. In the event that MedAmerica elects not to seek all of the rate increases to which it may be entitled or that the Department of Insurance does not approve the entirety of any such request for rate increase for a particular year, MedAmerica is entitled to in subsequent years to seek approval for rate increases in amounts that did not reach such prior year caps otherwise permitted under this settlement. The structural relief imposing such caps on premium rate increases has a value to the Class of approximately eight million four hundred thousand dollars (\$8,400,000).

YOUR RIGHTS AND OPTIONS

You have to decide whether to stay in the Class or ask to be excluded through opting out. You have to decide this now.

7. What happens if I do nothing?

You don't have to do anything now if you want to remain a Class Member and receive your share of the proposed Settlement money and/or benefits. By being a Class Member, you will be legally bound by the Final Judgment the Court makes in this case and will give up your right to sue MedAmerica Insurance Company and the State Health Plan for damages or other relief resulting from the premium increases you experienced or will experience when you converted from the MedAmerica group policy offered by the State Health Plan to the MedAmerica individual policy.

8. What if I don't want to be a Class Member?

If you want to be excluded from the Class, you will have to send an "exclusion request" in the form of a letter sent by first class mail stating that you want to be excluded from *Carl v. MedAmerica and State Health Plan*. Be sure to include your name and address, and sign the letter. You must mail your Exclusion Request postmarked by November 23, 2009 to:

MedAmerica Settlement Administrator
Strategic Claims Services
600 N. Jackson Street – Suite 3
Media, PA 19063
(866) 274-4004

THE LAWYERS REPRESENTING YOU

9. Do I have a lawyer in this case?

The Court decided that Donald Beskind, Jerome Marcus, Jonathan Auerbach and Martin Futrell are the lawyers representing you in this case. Together, the lawyers are called Class Counsel. They are experienced in handling similar cases. They can be contacted at the following addresses:

Donald H. Beskind Twiggs, Beskind Strickland & Rabenau, P.A. 150 Fayetteville Street Mall Suite 1100 Raleigh, NC 27601	Jerome Marcus Jonathan Auerbach J. Martin Futrell Marcus & Auerbach LLC 400 Greenwood Avenue Suite 200 Wyncote, PA 19095
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You can also contact your lawyers at NCLongtermCare@marcusauerbach.com.

10. Should I get my own lawyer?

You do not need to hire your own lawyer because Class Counsel is working on your behalf. But, if you want to hire your own attorney, you will have to pay that lawyer.

11. How will the lawyers be paid?

Since the lawsuit began in September 2006, Class Counsel have devoted substantial resources and expenditures in pursuing claims on behalf of the Class purely on a contingent basis, meaning the law firms that are Class Counsel have received no fees or other compensation for their services or reimbursement of their expenses to date. Class Counsel will ask the Court for an award of fees and expenses out of the Settlement. You won't have to pay these fees and expenses. As part of the proposed Settlement, Class Counsel will ask the Court to approve an amount of attorneys' fees and expenses not to exceed two million and eight hundred thousand dollars (\$2,800,000). If the Court grants Class Counsel's request, the fees and expenses would be deducted from the monetary relief for the Class. This fee represents slightly less than 20% of the total value of the Settlement of \$14 million.

12. Dismissal with Prejudice and Release of Claims

If the Court approves the proposed Settlement, it will enter a judgment that will dismiss the litigation with prejudice as to all claims against all Defendants, including MedAmerica Insurance Company, the State Health Plan and the State of North Carolina. Defendants will also receive a release and discharge of all claims, demands, actions, suits and/or causes of action that were brought or could have been brought, known or unknown, that relate to the premium increases for the MedAmerica individual policy.

13. How do I object to the Settlement?

If you want to object to the proposed Settlement, you must submit your objection in writing, stating that you object to the Settlement of *Carl v. MedAmerica and State Health Plan*. Your written objection must include your name, address, and the reasons you object to the proposed Settlement. You must also submit copies of any documents you wish to support your objection. You must sign your written objection and then submit it via U.S. mail to the following address, postmarked no later than November 23, 2009:

MedAmerica Settlement Administrator
Strategic Claims Services
600 N. Jackson Street – Suite 3
Media, PA 19063
(866) 274-4004

If you do not submit an objection in accordance with the above requirements, you will not be treated as having filed a valid objection to the proposed Settlement.

If you hire an attorney for the purpose of objecting to any aspect of the proposed Settlement, the attorney must file an entry of appearance with the Clerk of Court, Wake County, North Carolina no later than November 23, 2009 and send a copy of such entry of appearance to the above address by U.S. Mail postmarked no later than November 23, 2009.

You can not file an objection if you exclude yourself from the Class by opting-out.

14. The Court's Fairness Hearing

The Court will hold a fairness hearing on December 15, 2009 at 10:00 a.m. at the Wake County Courthouse, Courtroom 5A, Fayetteville Street, Raleigh, North Carolina. At the hearing, the Court will decide whether to approve the proposed Settlement and the request for attorney's fees and reimbursement of expenses. If objections have been timely received, the Court will consider them at this time. You are not required to attend the Fairness Hearing.

ADDITIONAL INFORMATION

Contact Class Counsel at NCLongTermCare@marcusauerbach.com. You may also write to the following address:

MedAmerica Settlement Administrator
Strategic Claims Services
600 N. Jackson Street – Suite 3
Media, PA 19063
(866) 274-4004

A website was created for this Settlement containing all the important documents for the Settlement. If you wish to view these documents, or if you would like to update your address, please visit www.NCLongTermCareSettlement.com

Please do not contact MedAmerica or the State Health Plan with questions about the Settlement or the amount of money you may receive.