

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

CLAUDIA GARCIA, on behalf of herself and
similarly situated employees and former
employees,

Plaintiff,

vs.

21ST CENTURY INSURANCE GROUP, a
California corporation, JESUS ZARAGOZA, an
individual, BRIAN MCKEE, an individual, and
DOES 1 through 50, inclusive,

Defendants.

CASE NO. BC 372487

**NOTICE OF PENDENCY OF CLASS ACTION,
PROPOSED SETTLEMENT, AND HEARING
DATE FOR COURT APPROVAL**

A court has authorized this notice. This is not a solicitation and you are not being sued. However, your legal rights are affected whether or not you act.

THIS PROPOSED CLASS ACTION SETTLEMENT RESOLVES AND PROVIDES COMPENSATION FOR CERTAIN CURRENT AND/OR FORMER STAFF ACCOUNTANTS, SENIOR ACCOUNTANTS, LEAD SENIOR ACCOUNTANTS, AND ACCOUNTING SUPERVISORS – GAAP RIGHTS TO OVERTIME PAY, MEAL AND REST BREAK COMPENSATION BASED ON ALLEGED MISCLASSIFICATION AS AN EXEMPT EMPLOYEE. YOUR OWN RIGHTS TO THESE KINDS OF PAY MAY BE AFFECTED BY THIS SETTLEMENT AND THIS NOTICE PROVIDES INFORMATION ON THE SETTLEMENT AND YOUR RIGHTS UNDER THE SETTLEMENT TO MAKE A CLAIM, EXCLUDE YOURSELF OR OBJECT.

IF YOU TAKE NO ACTION IN RESPONSE TO THIS NOTICE, YOU WILL BE BOUND BY THE TERMS OF THE SETTLEMENT, AND YOU WILL NOT BE ELIGIBLE TO RECEIVE ANY SETTLEMENT FUNDS.

Please read this notice carefully. This notice relates to a proposed settlement of class action litigation. If you are a class member, it contains important information as to your right to make a claim for payment or to elect not to be included in the class as further described below.

Pursuant to the order of the Superior Court of the State of California, County of Los Angeles, entered on April 30, 2008, **You Are Hereby Notified As Follows:** A settlement has been reached between the parties in the above-captioned lawsuit pending in the Superior Court of California, County of Los Angeles, on behalf of the following “Settlement Class”: Staff Accountants, Senior Accountants, Lead Senior Accountants, and Accounting Supervisors – GAAP (collectively, the “Covered Positions”), who worked for 21st Century Insurance Company (“21st Century” or “Defendant”) in California at any time between June 11, 2003 through April 30, 2008. You have received this notice because Defendant’s records indicate that you worked in a Covered Position within this period. This notice is designed to advise you of how you can participate in or be excluded from this settlement.

I. BACKGROUND

On June 11, 2007, Claudia Garcia (the “Class Representative” or “Plaintiff”) filed a class action Complaint in the Superior Court of California for the County of Los Angeles. On February 4, 2008, Plaintiff filed a First Amended Complaint clarifying class allegations (“FAC”). In the FAC, Plaintiff asserted a variety of claims on behalf of herself and the putative California class of certain 21st Century employees. First, Plaintiff, on behalf of herself and a putative class, sought relief for: Failure to Pay Overtime & Waiting Time Penalties; Failure to Pay Statutorily Mandated Wages & Waiting Time Penalties; Failure to Provide Adequate Meal and Rest Periods (Premium Pay); and Unlawful, Unfair, and Fraudulent Activity Prohibited by Business and Professions Code Section 17200 (“Representative Claims”). Second, Plaintiff sought relief in her individual capacity for: Gender/Marital Status/Family Responsibilities Discrimination; Harassment-Hostile Environment; Retaliation; Retaliation (Violation of Statute); Wrongful Termination in Violation of Public Policy; Breach of Contract; and Good Faith and Fair Dealing (“Individual Claims”).

Defendant denies all of Plaintiff’s allegations. Specifically, Defendant denies that Plaintiff and the class are owed any compensation for overtime hours, missed meal or rest periods, interest, or penalties.

To avoid the cost and uncertainty of continued litigation, however, the parties have entered into a formal Settlement Agreement that resolved all Representative Claims now asserted in the FAC. The Court has granted preliminary approval of the formal Settlement Agreement.

If you are part of the Settlement Class as defined above, you have the opportunity to participate in the settlement.

As to the Individual Claims asserted by Plaintiff, Defendant and Plaintiff have previously settled those claims for an amount that has been disclosed to the Court.

II. SUMMARY OF THE PROPOSED SETTLEMENT

A. Qualified Claimant

Each Settlement Class member who submits a Claim Form that is completed in its entirety and is submitted by the deadline stated on the Claim Form (“Qualified Claimant”) will be informed of the gross amount to which he or she is entitled, to be calculated as discussed below. The actual net amount received by each Qualified Claimant will be the gross amount reduced by the required tax withholding. Fifty percent (50%) of the payment is wages and thus subject to W2 reporting and, therefore, normal payroll taxes and withholdings will be deducted pursuant to state and federal law. The remaining fifty percent (50%) is subject to IRS Form 1099 reporting and Qualified Claimants will be issued an IRS Form 1099 for that portion of their payment.

B. Settlement Formula

The total settlement amount is Two Hundred Twenty Five Thousand Dollars (\$225,000) (“Maximum Settlement Amount”). The amount that will be paid to the Qualified Claimants will be the remainder of the Maximum Settlement Amount after payment of Plaintiff’s attorneys’ fees, costs, and expenses, the enhancement payment to the Class Representative, and the payment to the California Labor Workforce Development Agency (“Remainder Payment”).

The Remainder Payment will be distributed as follows:

- (a) The Settlement Administrator (as defined below) will first calculate the total number of work weeks by adding the actual weeks worked by the Settlement Class members in the Settlement Class position(s) in California between June 11, 2003 and April 30, 2008 (“Weeks Worked”) and six additional work weeks for each Settlement Class member who is not employed by the Defendant as of April 30, 2008 (“Total Work Weeks”).

- (b) The Settlement Administrator will then divide the Remainder Payment by the Total Work Weeks to calculate the value for each work week (“Work Week Value”).
- (c) The distribution to be made to each Qualified Claimant who is currently employed by the Defendant will be determined by multiplying that person’s Weeks Worked by the Work Week Value.
- (d) The distribution to be made to each Qualified Claimant who is not employed by the Defendant as of April 30, 2008 will be determined by multiplying the sum of that person’s Weeks Worked plus a 6-work week credit, by the Work Week Value.
- (e) Defendant has agreed that, regardless of the number of the Settlement Class members who make a timely claim, it will pay out to Qualified Claimants at least seventy-five percent (75%) of the Remainder Payment. Thus, if less than seventy-five percent (75%) of the Remainder Payment is validly claimed, the Settlement Administrator will adjust the Work Week Value to ensure payment of at least seventy-five percent (75%) of the Remainder Payment value.

C. Calculations Will Be Based On Defendant’s Records

For each Qualified Claimant, the amount payable will be calculated solely based on Defendant’s records, specifically their computerized payroll system data maintained in the PeopleSoft system. See the attached Claim Form, which shows the number of your Weeks Worked. If you have any questions regarding the number of Weeks Worked, contact the Settlement Administrator listed on the Claim Form.

D. The Class Representative Enhancement

Class Representative Claudia Garcia will be paid an enhancement of Five Thousand Dollars (\$5,000), to be subtracted from the Maximum Settlement Amount, for her service as Class Representative and because she agreed to advance Class Counsels’ costs and/or pay Defendants’ attorneys’ fees and costs in the event of an unsuccessful outcome.

E. Attorneys’ Fees And Costs

In consideration for settling this matter and in exchange for the release by the Settlement Class, Defendant agreed not to oppose an award to Class Counsel of a maximum of Seventy Four Thousand Two Hundred Fifty Dollars (\$74,250), subject to the Court’s approval, to be subtracted from the Maximum Settlement Amount. The Class Representative and Class Counsel support this amount in light of, among other things, Defendant’s potential complete defenses to liability, the inherent risk of a trial on the merits, the risk that class certification will be denied, and the delays associated with litigation.

F. Payment to the California Labor Workforce Development Agency

To satisfy the Private Attorneys’ General Act provisions of the California Labor Code, Two Thousand Five Hundred Dollars (\$2,500) will be paid to the Labor Workforce Development Agency, subject to the Court’s approval. This payment shall be subtracted from the Maximum Settlement Amount.

III. YOUR RIGHTS AS A CLASS MEMBER

A. Submitting A Claim

If you wish to submit a claim, you must complete and sign the attached Claim Form and return it via first class, priority or express mail, facsimile or hand delivery to:

21st Century Settlement Administrator
c/o Rust Consulting, Inc.
P.O. Box 460
Minneapolis, MN 55440-0460
Telephone: 888-228-0421
Fax: 1-800-711-7362

The Claim Form must be postmarked or date stamped not later than August 11, 2008. If the Claim Form is sent from within the United States, it may be sent through the United States Postal Service via First Class U.S. Mail, priority or express mail, or it may be faxed or hand delivered to the Settlement Administrator. Do not use a postage meter as that may not result in a postmark appearing on the envelope containing your Claim Form. If you lose, misplace, or need another Claim Form, you should contact the Settlement Administrator.

If you fail to submit a claim form, you will not receive any benefits from the settlement, however, your rights will be released.

B. Excluding Yourself From The Settlement

If you do not wish to participate in the settlement, you may exclude yourself (i.e., "opt out") by completing the attached Request for Exclusion Form. The Request for Exclusion Form must be completed, signed, and returned via first class, priority or express mail, facsimile, or hand delivery to:

21st Century Settlement Administrator
c/o Rust Consulting, Inc.
P.O. Box 460
Minneapolis, MN 55440-0460
Telephone: 888-228-0421
Fax: 1-800-711-7362

The Request for Exclusion Form must be postmarked no later than August 11, 2008. If the request for exclusion is sent from within the United States, it may be sent through the United States Postal Service via First Class U.S. Mail, priority or express mail, or it may be faxed or hand delivered to the Settlement Administrator. Do not use a postage meter as that may not result in a postmark appearing on the envelope containing your request for exclusion. If you lose, misplace, or need another Request for Exclusion Form, you should contact the Settlement Administrator

Any person who files a proper and timely Request for Exclusion Form shall, upon receipt, no longer be a member of the Settlement Class, shall be barred from participating in any portion of the settlement, and shall receive no benefits from the settlement.

Do not submit both the Claim Form and a Request For Exclusion Form. If you submit both a Claim Form and Request For Exclusion Form, the Request For Exclusion Form will be invalid, so you will be included in the settlement class and bound by the terms of the settlement.

C. Objecting To The Settlement

You can object to the terms of the settlement before final approval. If the Court rejects your objection, you will be bound by the terms of the settlement. To object, you must file a written objection and a notice of intention to appear at the Final Approval hearing with the Clerk of the Superior Court of the State of California, County of Los Angeles, 111 North Hill Street, Los Angeles, CA 90012, and you must mail copies of your written objection and notice of intention to appear to the following:

CLASS COUNSEL

I. Benjamin Blady, Esq.
Appleton, Blady & Magnanimo LLP
12301 Wilshire Boulevard, Suite 202
Los Angeles, CA 90025
Fax: 310-474-7023

DEFENDANT'S COUNSEL

Elena R. Baca, Esq.
Paul, Hastings, Janofsky & Walker LLP
515 South Flower Street, 25th Floor
Los Angeles, CA 90071
Fax: 213-996-3306

Written objections must state each specific reason in support of your objection and any legal support. Your objection must also state the case name and number, your full name, address, date of birth, and the dates of your employment by 21st Century Insurance Company. To be valid and effective, any objections to the approval of the settlement must be filed with the Clerk of the Court and served upon each of the above-listed attorneys no later than August 11, 2008. **Do not telephone the Court or the office of the Clerk for more information regarding objections.**

If you choose to file an objection to the terms of this settlement, you may enter an appearance *in propria persona* (meaning you choose to represent yourself) or through your own attorney. You will then continue as a Settlement Class member either *in propria persona* or with representation by your own attorney, and you will be solely responsible for the fees and costs of your own attorney.

If you intend to object to the settlement, but wish to receive your share of the settlement funds if the settlement is approved, you must timely file your claim as stated above. If the court approves the settlement and you do not have a Claim Form on file, you will not receive any settlement proceeds.

IV. EFFECT OF THE SETTLEMENT

A. Released Rights And Claims

The settlement will settle all wage and hour claims against Defendant that the Settlement Class members have asserted in the lawsuit, as well as any substantially similar wage and hour claims, including federal wage and hour laws, through the date of the Court's final approval of this settlement.

The terms of the Release in the Settlement Agreement that apply only to Settlement Class members other than the Plaintiff are as follows: the class members fully release and discharge the Defendant, including all of the Defendant's past and present parent companies, controlling persons, subsidiaries, affiliates, directors, officers, agents, attorneys, employees, and benefit plans sponsored by any such entities, of any and all Covered Claims, whether known or unknown, including interest and liquidated damages. Covered Claims are defined as: Representative Claims asserted in the FAC, as well as any other claims that the Settlement Class could have asserted for violation of state or federal laws for failure to pay overtime, misclassification, failure to pay wages upon termination, waiting time penalties and other penalties, improper wage statements, missed meal and rest periods, improper deductions, and violations of the Unfair Business Practices Act (found within California's Business and Professions Code Section 17200) occurring from June 11, 2003 through the date of the Court's final approval of this settlement.

The terms of the Release in the Settlement Agreement that apply to the Plaintiff are as follows: the Plaintiff fully releases and discharges the Defendant, including all of the Defendant's past and present parent companies, controlling persons, subsidiaries, affiliates, directors, officers, agents, attorneys, employees, and benefit plans sponsored by any such entities, of any and all Covered Claims, whether known or unknown, including interest and liquidated damages. Covered Claims are defined as: Representative Claims asserted in the FAC, as well as any other claims that the Plaintiff could have asserted for violation of state or federal laws for failure to pay overtime, misclassification, failure to pay wages upon termination, waiting time penalties and other penalties, improper wage statements, missed meal and rest periods, improper deductions, and violations of the Unfair Business Practices Act (found within California's Business and Professions Code Section 17200) arising out of Plaintiff's employment with the Defendant. Plaintiff's release shall include other California and federal wage and hour laws to the extent necessary to effect a full and complete release of the claims alleged in this lawsuit, including, but not limited to, the federal Fair Labor Standards Act, the Portal-to-Portal Act, the California Labor Code §§ 96 through 98.2 *et seq.*; the California Payment of Wages Law, and in particular, California Labor Code §§ 200 *et seq.*, including California Labor Code §§ 200 through 243, and in particular, §§ 203, 218, 218.5, 221, and 223; California Labor Code §§ 300 *et seq.*; California Labor Code §§ 400 *et seq.*; California Working Hours Law, California Labor Code §§ 500 *et seq.*, California Labor Code §§ 1194 and 1198; California Unfair Competition Act, and in particular, California Bus. & Prof. Code §§ 17200 *et seq.*; California Labor Code § 2802; California Code of Civil Procedure § 1021.5; and any other provision of the California Labor Code or any applicable California Industrial Welfare Commission Wage Orders, in all of their iterations.

The Class Representative's release includes claims that she does not know or suspect to exist in her favor through the date on which the Court gives final approval of this settlement. The Class Representative waives all rights and benefits afforded by California Civil Code Section 1542, and does so understanding the significance of that waiver. Section 1542 provides:

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

If you were employed in a Covered Position and do not elect to exclude yourself from the Settlement Class, you will be deemed to have entered into this release and to have released the above-described claims even if you do not submit a Claim Form.

B. Payment To Qualified Claimants

If you qualify to receive a payment under the settlement, a check will be mailed to you within approximately sixty (60) days of (i) entry of a final order by the Court approving the Settlement Agreement and expiration of the time to file any appeal or (ii) the final resolution of any appeal(s) filed, which upholds the validity of all the terms of the Agreement, whichever occurs later.

V. FINAL SETTLEMENT APPROVAL HEARING

The Court will hold a hearing in Department 39 of the Los Angeles Superior Court, 111 North Hill Street, Los Angeles, CA 90012, on September 15, 2008, at 9:00 a.m., to determine whether the settlement should be finally approved as fair, reasonable, and adequate. The Court also will be asked to approve Class Counsels' request for attorneys' fees and reimbursement of costs and expenses and the enhancement paid to the Class Representatives. Class Counsels' application for attorneys' fees and reimbursement of expenses will be on file with the Court no later than September 4, 2008, and will be available for review after that date. Class Counsel is seeking approval of a total of not more than Seventy Fourth Thousand Two Hundred Fifty Dollars (\$74,250). The hearing may be continued without further notice to the Settlement Class. **It is not necessary for you to appear at this hearing unless you have timely filed an objection to the settlement with the court.**

VI. ADDITIONAL INFORMATION

The above is a summary of the basic terms of the settlement. For the precise terms and conditions of the settlement, you should consult the "Settlement Agreement" which is on file with the Clerk of the Court. The pleadings and other records in this litigation, including the Settlement Agreement, may be examined at any time during regular business hours at the Office of the Clerk of the Superior Court for the State of California, County of Los Angeles, 111 North Hill St., Los Angeles, CA 90012. **Please do not telephone the Court or the Office of the Clerk for information regarding this settlement or the claim process.**

BY ORDER OF THE LOS ANGELES SUPERIOR COURT