



The Travelers Companies, Inc.
385 Washington Street
St. Paul, MN 55102-1396
651.310.7911 TDD
www.travelers.com

March 21, 2008

Insured Name and Address:

HIDALGO COUNTY
PO BOX 1356

EDINBURG, TX 78540

Agent or Broker Name and Address:

PROGRAM MANAGEMENT SVCS
ONE INTERNATIONAL CTR STE 965
100 NE LOOP 410
SAN ANTONIO, TX 78216
4202612

Policy Number: GP06302049
Effective Date: 01/01/2008

Dear Valued Policyholder:

On December 26, 2007 the President of the United States signed into law amendments to the Terrorism Risk Insurance Act (TRIA) of 2002 which, among other things, extend the Act and expand its scope. The most significant amendments are the extension of the Terrorism Risk Insurance Program and the expansion of the definition of act of terrorism to eliminate the requirement that the act be committed on behalf of a foreign person or foreign interest.

Accepting Our Offer Based on Your Previous Selection of Coverage

You previously accepted part of our offer of terrorism insurance coverage based on the information contained in the original Disclosure Notice - Offer of Terrorism Insurance Coverage that was included in your new or renewal insurance quote proposal. Your acceptance applied to some, but not all, of the types of insurance included in your policy.

If you want to continue to accept our offer of terrorism insurance coverage for the types of insurance you previously purchased, no response is necessary. Your premium will not change.

The enclosed Disclosure Notice Terrorism Risk Insurance Act Of 2002 (form #D0100 Rev. 1-08) will replace the previous version of this form in your policy. This disclosure includes, among other things, an explanation of the federal government's share of compensation for Insured Losses. In addition, the enclosed Cap On Losses From Certified Acts Of Terrorism Endorsement (form #D0144 Ed. 1-08) is added to your policy to reflect the revisions to TRIA. The Cap On Losses From Certified Acts Of Terrorism Endorsement does not apply to coverages where certified acts of terrorism are excluded by endorsement. Finally, we have also included revised terrorism exclusion endorsement(s), revision date of 1-08, to replace the previous terrorism exclusion endorsement(s) included in your policy.

If you received a workers compensation policy from us you will receive a separate communication for this coverage.

Adding Additional Coverage or Not Accepting Our Offer of Coverage

The amendments to TRIA require us to provide you with a revised offer of terrorism coverage and notice. Enclosed is a revised Disclosure Notice - Offer of Terrorism Insurance Coverage (form #D0102 Rev. 1-08 that replaces the previous version of the same form. If you decide to accept our revised offer of terrorism insurance coverage (form #D0102 Rev. 1-08) which applies to all types of insurance under your policy, you must contact your agent or broker within 30 days of the date of this letter. Unless the ratable exposures under your policy were changed since we made our original offer, the additional premium charge for the entire revised offer of terrorism insurance coverage for certified acts of terrorism, as redefined, is the same amount indicated on your original Disclosure Notice - Offer of Terrorism Insurance Coverage (form #D0102 Rev. 1-06). This amount would be pro-rated based on the date coverage is effective.

In addition, please contact your agent or broker if you have any questions about this letter or the attached Disclosure Notice - Offer of Terrorism Insurance Coverage, or if you desire additional information on how TRIA has changed. We appreciate your business.

Please keep the enclosed forms and endorsement(s) with your policy.

Sincerely,

The Travelers Companies, Inc.

POLICY CHANGE ENDORSEMENT

This endorsement summarizes the changes to your policy. All other terms of your policy not affected by these changes remain the same.

How Your Policy Is Changed

The following forms are deleted from your policy:

- D0100 Rev. 1-06, Disclosure Notice Terrorism Risk Insurance Act Of 2002
- L0485 Rev. 11-03, Terrorism Risk Insurance Act Certified Acts Of Terrorism Exclusion Endorsement - Public Entity Management Liability

The following forms are added to your policy:

- D0102 Rev. 1-08, Disclosure Notice - Offer Of Terrorism Insurance Coverage
 - D0100 Rev. 1-08, Disclosure Notice Terrorism Risk Insurance Act Of 2002
 - D0144 Ed. 1-08, Cap On Losses From Certified Acts Of Terrorism Endorsement
 - L0485 Rev. 1-08, Terrorism Risk Insurance Act Certified Acts Of Terrorism Exclusion Endorsement - Public Entity Management Liability
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Premium Change Which Is Due Now

Additional premium \$0

Returned premium \$0


If issued after the date your policy begins, these spaces must be completed and our representative must sign below.

Policy issued to:
HIDALGO COUNTY

Endorsement takes effect:
01/01/2008

Policy number:
GP06302049

Processing date: 03/21/2008 9:45:58 AM


President
Authorized Representative

**DISCLOSURE NOTICE -
OFFER OF TERRORISM INSURANCE COVERAGE**

Pursuant to the Terrorism Risk Insurance Act of 2002, an offer for coverage for certified acts of terrorism, as defined by the Act, is shown below.

You should know that, effective November 26, 2002, and while the Terrorism Risk Insurance Act of 2002 is in effect, any coverage provided by this policy for losses resulting from certified acts of terrorism would be partially reimbursed by the federal government under a formula established by federal law. Under this formula, the federal government's share of compensation for Insured Losses is 85% of the amount of Insured Losses in excess of each Insurer's statutorily established deductible, subject to the "Program Trigger", (as defined in the Act). In no event, however, will the federal government or any Insurer be required to pay any portion of the amount of aggregate Insured Losses occurring in any one year that exceeds \$100,000,000,000, provided that such Insurer has met its deductible. If aggregate Insured Losses exceed \$100,000,000,000 in any one year, your coverage may therefore be reduced.

The premium for coverage for certified acts of terrorism, as defined by the Act:
Your premium, as originally quoted in D0102 Rev. 1-06 for terrorism coverage will not change if you accept this revision, unless the ratable exposures under your policy changed.

IMPORTANT NOTES: The premium for your terrorism coverage is subject to change if you accept this offer and your policy is subsequently renewed with us.

This premium does not include any charges for the portion of loss covered by the federal government under the Act.

If you do not accept this offer, your policy will include one or more exclusion endorsements that apply to certified acts of terrorism, as defined by the Act. Under the federal Terrorism Risk Insurance Program Reauthorization Act of 2007, the applicable definition of certified acts of terrorism no longer requires that the act of terrorism be committed on behalf of a foreign person or foreign interest. Therefore, each such exclusion is not limited to an act of terrorism committed on behalf of a foreign person or interest.

PRIOR TO THE BINDING OF COVERAGE FOR YOUR POLICY OR POLICIES, PLEASE INFORM YOUR AGENT OR BROKER IF YOU WOULD LIKE TO PURCHASE COVERAGE FOR CERTIFIED ACTS OF TERRORISM.

HIDALGO COUNTY

PO BOX 1356

EDINBURG, TX 78540

Named Insured's or
Applicant's Name

Named Insured's or
Applicant's Address

March 21, 2008

Date

DISCLOSURE NOTICE

TERRORISM RISK INSURANCE ACT OF 2002

On December 26, 2007, the President of the United States signed into law amendments to the Terrorism Risk Insurance Act of 2002 (the "Act"), which, among other things, extend the Act and expand its scope. The Act establishes a program under which the Federal Government may partially reimburse "Insured Losses" (as defined in the Act) caused by "acts of terrorism". An "act of terrorism" is defined in Section 102(l) of the Act to mean any act that is certified by the Secretary of the Treasury - in concurrence with the Secretary of State and the Attorney General of the United States - to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States Mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

The federal government's share of compensation for Insured Losses is 85% of the amount of Insured Losses in excess of each Insurer's statutorily established deductible, subject to the "Program Trigger", (as defined in the Act). In no event, however, will the federal government or any Insurer be required to pay any portion of the amount of aggregate Insured Losses occurring in any one year that exceeds \$100,000,000,000, provided that such Insurer has met its deductible. If aggregate Insured Losses exceed \$100,000,000,000 in any one year, your coverage may therefore be reduced.

The premium charge shown below is for coverage under this policy for insured losses covered by the Act. This terrorism premium does not include any charges for the portion of insured losses covered by the federal government under the Act.

If \$0 is shown below for the certified acts of terrorism premium charge, this policy provides such terrorism coverage for no premium charge.

The certified acts of terrorism premium charge shown below does not apply to any insuring agreement or coverage part in this policy for which you did not accept our offer, for a premium charge, of such terrorism coverage. If you did not accept our offer of such terrorism coverage, this policy contains one or more exclusions that apply to certified acts of terrorism under each such insuring agreement or coverage part. Under the federal Terrorism Risk Insurance Program Reauthorization Act of 2007, the applicable definition of certified acts of terrorism no longer requires that the act of terrorism be committed on behalf of a foreign person or foreign interest. Therefore, each such exclusion is not limited to an act of terrorism committed on behalf of a foreign person or interest.

Name of Insured: HIDALGO COUNTY

Policy Number: GP06302049

Effective Date: 01/01/2008

Certified Acts Of Terrorism Premium Charge:

Your premium is the same as the amount originally charged in D0100 Rev. 1-06 and any subsequent terrorism premium endorsement charges. No additional premium is due.

Processing Date: 03/21/2008 9:45:58 AM

**TERRORISM RISK INSURANCE ACT
CERTIFIED ACTS OF TERRORISM EXCLUSION ENDORSEMENT -
PUBLIC ENTITY MANAGEMENT LIABILITY**

This endorsement changes your Public Entity Management Liability Protection.

How Coverage Is Changed

The following is added to the Exclusions - What This Agreement Won't Cover section. This change excludes coverage.

Certified acts of terrorism. We won't cover loss that results from any certified act of terrorism.

Certified act of terrorism means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act. The criteria contained in the Terrorism Risk Insurance Act for a certified act of terrorism include the following:

- The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
- The act is a violent act or an act that is dangerous to human life, property, or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

Other Terms

All other terms of your policy remain the same.