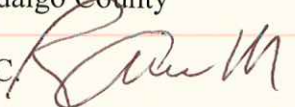




Date: 02/22/2013
To: Mr. Roy Quintanilha – Hidalgo County
Re: Ramon Montalvo III, C.I.C. 
Re: Extended Reporting Endorsement offer (Travelers) – Management and Employment Practices Liability

Message:

As discussed previously, the Travelers Insurance Company is offering an Extended Reporting Endorsement offer (Tail Coverage) for both the Management and the Employment Practices Liability coverage. They can either be purchased together or individually – see proposal attached.

Keep in mind that this is not an extension of the policy period, rather it is for claims that might possibly be made for claims/incidents that took place prior to 01/01/13. This is particularly important for those incidents where someone knew of circumstances and had not reported the claim to the Travelers Insurance Co. with the 90 day Automatic Extended Reporting Period ending 04/01/13. The new carrier will likely deny coverage on these types of claims.

There have been some claim paid on the Employment Practices Liability and so these would only be \$1,720,000 that would be left for these types of claims. The Management Liability still has the full 2,000,000 limit. (This was based on claim information as of 01/29/13 and is subject to change).

If the County exercises its option to purchase these Extended Reporting Period endorsements, the following needs to be done by 03/22/13:

1. Full payment of the Premium stipulated
2. A written request asking the company to purchase these endorsements
3. Repayment of any SIRs owned

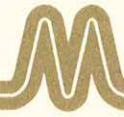
I'm including actual policy provisions related to these items.

We are ready to meet with you and Mr. Guerra to further clarify this matter.



ALL FORMS OF INSURANCE





Extended Reporting Period Management Liability

Named Insured: Hidalgo County

Company Name: Travelers Texas Public Entity Group

Policy Term: 01/01/2013 – 01/01/2014

Coverage: Management Liability

Initial Policy

Limit: \$2,000,000 Aggregate
\$2,000,000 Each Wrongful Act

Deductible: Per Policy Provisions

Premium: \$26,852.00

Note:

The initial coverage policy limit is reflected above but a reduced limit may apply based upon claims that have already paid out. Please be reminded that the extended reporting period does not extend the policy period or change the coverage provided. It applies only to claims or "suits" for loss caused by a "wrongful" act committed before the end of the policy period and after the retro date of the policy.



ALL FORMS OF INSURANCE





**Extended Reporting Period
Employment Related Practices Liability**

Named Insured: Hidalgo County

Company Name: Travelers Texas Public Entity Group

Policy Term: 01/01/2013 – 01/01/2014

Coverage: **Employment Related
Practices Liability**

Initial Policy

Limits: \$2,000,000 Aggregate
\$2,000,000 Each Wrongful Act

Deductible: Per Policy Provisions

Premium: **\$289,643.00**

Note:

The initial coverage policy limit is reflected above but a reduced limit may apply based upon claims that have already paid out. Please be reminded that the extended reporting period does not extend the policy period or change the coverage provided. It applies only to claims or “suits” for loss caused by a “wrongful” act committed before the end of the policy period and after the retro date of the policy.



ALL FORMS OF INSURANCE



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PUBLIC ENTITY MANAGEMENT LIABILITY

you purchase, or that would be covered under such insurance but for the exhaustion of its applicable limit of insurance.

- 4. The Basic Extended Reporting Period does not reinstate or increase the limits of insurance.
- 5. A Supplemental Extended Reporting Period of 12 months is available, but only by an endorsement and for an extra charge. This supplemental period replaces the Basic Extended Reporting Period.

The Supplemental Extended Reporting Period will not go into effect unless we receive all of the following within 90 days after the end of the policy period and you have fulfilled all other duties, and complied with all other conditions and requirements, under this policy:

- a. A written request from you to purchase the Supplemental Extended Reporting Period Endorsement;
- b. Full payment of the earned premium for this policy;
- c. Payment of the additional premium for the Supplemental Extended Reporting Period Endorsement; and
- d. Repayment of any deductible you owe us under this policy.

We will determine the additional premium for that endorsement in accordance with our rules and rates. The additional premium will not exceed 75% of the annual premium for this Coverage Part.

This endorsement will set forth the terms, not inconsistent with this Section VI - Extended Reporting Periods, applicable to the Supplemental Extended Reporting Period, including a provision to the effect that the insurance afforded for claims or "suits" first made or brought against any insured during such period is excess over any valid and collectible other insurance available under insurance in force after the Supplemental Extended Reporting Period starts.

- 6. The Supplemental Extended Reporting Period does not reinstate or increase the limits of insurance.

SECTION VII - DEFINITIONS

- 1. "Advertisement" means a notice that is broadcast or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers

or supporters. For the purposes of this definition:

- a. Notices that are published include material placed on the Internet or on similar electronic means of communication; and
 - b. Regarding web-sites, only that part of a web-site that is about your goods, products or services for the purposes of attracting customers or supporters is considered an advertisement.
- 2. "Advertising injury" means injury, other than "personal injury", caused by one or more of the following offenses:
 - a. Oral or written publication, including publication by electronic means, of material in your "advertisement" that slanders or libels a person or organization or disparages a person's or organization's goods, products or services, provided that the claim is made or the "suit" is brought by a person or organization that claims to have been slandered or libeled, or that claims to have had its goods, products or services disparaged;
 - b. Oral or written publication, including publication by electronic means, of material in your "advertisement" that:
 - (1) Appropriates a person's name, voice, photograph or likeness;
 - (2) Unreasonably places a person in a false light; or
 - (3) Discloses information about a person's private life; or
 - c. Infringement of copyright, "title" or "slogan" in your "advertisement", provided that the claim is made or the "suit" is brought by a person or organization that claims ownership of such copyright, "title" or "slogan".
 - 3. "Authorized user" includes your customer, supplier or supporter.
 - 4. "Bodily injury" means:
 - a. Physical harm, including sickness or disease, sustained by a person; or
 - b. Mental anguish, injury or illness, or emotional distress, resulting at any time from such physical harm, sickness or disease.
 - 5. "Computer virus" means malicious code that is introduced through your web-site or "your computer or communications network". Once introduced, such code may destroy, alter, contaminate or de-

- 4. The Basic Extended Reporting Period does not reinstate or increase the limits of insurance.
- 5. A Supplemental Extended Reporting Period of 12 months is available, but only by an endorsement and for an extra charge. This supplemental period replaces the Basic Extended Reporting Period.

The Supplemental Extended Reporting Period will not go into effect unless we receive all of the following within 90 days after the end of the policy period and you have fulfilled all other duties, and complied with all other conditions and requirements, under this policy:

- a. A written request from you to purchase the Supplemental Extended Reporting Period Endorsement;
- b. Full payment of the earned premium for this policy;
- c. Payment of the additional premium for the Supplemental Extended Reporting Period Endorsement; and
- d. Repayment of any deductible you owe us under this policy.

We will determine the additional premium for that endorsement in accordance with our rules and rates. The additional premium will not exceed 75% of the annual premium for this Coverage Part.

This endorsement will set forth the terms, not inconsistent with this Section VI - Extended Reporting Periods, applicable to the Supplemental Extended Reporting Period, including a provision to the effect that the insurance afforded for claims or "suits" first made or brought against any insured during such period is excess over any valid and collectible other insurance available under insurance in force after the Supplemental Extended Reporting Period starts.

- 6. The Supplemental Extended Reporting Period does not reinstate or increase the limits of insurance.

SECTION VII - DEFINITIONS

- 1. "Bodily injury" means:
 - a. Physical harm, including sickness or disease, sustained by a person; or
 - b. Mental anguish, injury or illness, or emotional distress, resulting at any time from such physical harm, sickness or disease.

- 2. "Coverage territory" means:

- a. The United States of America (including its territories and possessions), Puerto Rico and Canada;
- b. All other countries or jurisdictions in the world except the "prohibited area"; or
- c. International waters or airspace, unless the "employment loss" is caused by a "wrongful employment practice offense" committed in the course of travel or transportation to, from or within the "prohibited area";

provided that the insured's responsibility to pay damages is determined in a "suit" on the merits brought in the territory described in Paragraph a. above or in a settlement we agree to.

3. "Defense expenses":

- a. Means any of the following fees, costs or expenses which can be directly allocated to a particular claim or "suit":
 - (1) Fees of attorneys, or other authorized representatives where permitted, for legal services, whether by outside or staff representatives; or
 - (2) Court, alternative dispute resolution and other specific items of expense, whether incurred by an outside vendor or by one of our employees, including:
 - (a) Expert testimony;
 - (b) Autopsy;
 - (c) Witnesses and summonses;
 - (d) Copies of documents such as birth and death certificates and medical treatment records;
 - (e) Arbitration fees;
 - (f) Fees or costs for surveillance or other professional investigations which are conducted as part of handling of a claim or "suit"; and
 - (g) Fees or costs for loss prevention and engineering personnel for services which are conducted as part of handling of a claim or "suit".

- b. Does not include:
 - (1) Our expenses, including salaries, overhead and traveling expenses of our employees, except for those fees, costs or expenses described in Paragraphs a.(1) and

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