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AIG Domestic Claims, Inc.
Financial Lines

Anthony Zurica
Errors & Omissions

Direct Dial (212) 458-1182
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March 7, 2006

Irene Morales
City of El Paso
P.O. Box 1919
El Paso, TX 79999

Re: **Insured:** **City of El Paso**
 Claimant(s): **Lisa Elizondo**
 Claim Number: **295-041457**
 Policy Number: **493-61-70**

Dear Ms. Morales:

This letter acknowledges receipt of recent correspondence, inclusive of a Pennsylvania Labor Relations Board complaint, whereby AIG Domestic Claims, Inc., on behalf of National Union Fire Insurance Company of Pittsburgh, PA ("the Company"), established a claim in connection with the above-referenced matter.

A claim has been established under policy number POL 376-42-15 effective September 1, 2005 to September 1, 2006. This policy provides an aggregate limit of liability of \$5,000,000. There is a **\$100,000 deductible** for Each Wrongful Act other than an Employment Practices Violation and a **\$100,000 deductible** for each Employment Practice Violation, applicable to both indemnity and defense costs. Please refer to the above-mentioned **claim number** on all future correspondence.

The purpose of this letter is to:

- Advise you that certain policy provisions may limit the availability of coverage under your policy.
- Advise you that, as this is a pre-suited matter, we will not be assigning a law firm to represent you in this matter.
- Recommend that you place your other carriers on notice, specifically your commercial General Liability carrier.

As you know, this claim arises out of an EEOC complaint filed in December 2005. The claimant is alleging race and sexual discrimination. The claimant is also alleging wrongful termination based on the aforementioned discrimination. The incidents in question occurred during June 2005.

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City of El Paso
3/14/06*

-Assignment of Counsel:

As this claim is pre-suited, we will not be assigning counsel at this time. Further the company is not responsible for any legal fees incurred by the Insured prior to its tender of the defense of this lawsuit to the carrier as specified in its insurance policy. In addition, the Insured may have its general counsel become involved in the defense of this matter to protect any uncovered or excess interests, however this must be done at the Insured's own expense. **If you are served with a summons and complaint, you must notify me immediately so that I can assign a law firm to represent your interests.**

-Policy coverage:

Although the information we have is very limited at this time, we refer you to Exclusion (a)

EXCLUSIONS

This policy does not apply to any Damages or Claim:

- a) alleging fraud, dishonesty, or criminal acts or omissions...

The Company hereby reserves its rights to re-evaluate policy coverage in the event that factual evidence which gives us cause is developed, either through discovery or investigation. AIG Domestic Claims, Inc. hereby notifies you that it will investigate all circumstances that may have a bearing on this coverage.

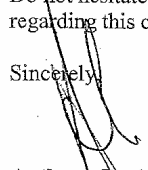
Please provide the Company with any and all additional information as it comes into your possession that will assist us with our investigation with respect to coverage, liability, and damages.

-Other applicable insurance:

If you choose to place your General Liability carrier on notice of this matter, please send me a copy of any coverage letter issued to you.

Do not hesitate to contact me should you have any further questions or concerns regarding this claim.

Sincerely,


Anthony Zurica
Claims Analyst