AGENDA ITEM
CA64

AGENDA PLACEMENT FORM

Send to: ccagenda@johnsoncountytx.org

Date: 9.3.2026

Meeting Date: 9.14.2026

Submitted By: Jim Simpson Asst. Co. Atty

Department: CAO for Purchasing

Signature of Elected Official/Department Head:

Jim Simpson Asst. Co. Atty

Court Decision:
This section to be completed by County Judge's Office



9.14.2026

Description:

Consider and Approve Texas Association of Counties (TAC) Privacy or Security Event Liability and Expense Coverage Document and TAC AI Coverage Endorsement with authorization for County Judge to sign.

(May attach additional sheets if necessary)

Person to Present: Bill Moore/ Jim Simpson/ Lance Anderson

(Presenter must be present for the item unless the item is on the Consent Agenda)

Supporting Documentation: (check one) ☐ PUBLIC ☑ CONFIDENTIAL

(PUBLIC documentation may be made available to the public prior to the Meeting)

Estimated Length of Presentation: 7 minutes

Session Requested: (check one)

☐ Action Item ☑ Consent ☐ Workshop ☐ Executive ☐ Public Announcement

Check All Departments That Have Been Notified:

☑ County Attorney ☐ IT ☑ Purchasing ☑ Auditor

☐ Personnel ☐ Development Services ☐ Facilities Management

Other Department/Official (list) _____

Please List All External Persons Who Need a Copy of Signed Documents In Your Submission Email

Approved in CC on 9/11/2023



TEXAS ASSOCIATION *of* COUNTIES
RISK MANAGEMENT POOL

PRIVACY OR SECURITY EVENT LIABILITY AND EXPENSE COVERAGE DOCUMENT

PRIVACY OR SECURITY EVENT LIABILITY AND EXPENSE COVERAGE

THIS IS A CLAIMS MADE COVERAGE DOCUMENT. PLEASE READ THE ENTIRE COVERAGE DOCUMENT CAREFULLY.

The Texas Association of Counties Risk Management Pool (Pool) was and is created to enable Members to purchase coverage against liability Claims. The Pool is not an insurance company. This is not a contract of insurance, but is an agreement for liability coverage pursuant to the provisions of Chapter 119 of the Texas Local Government Code, and under Chapters 791 and 2259 of the Texas Government Code. Under this agreement, political subdivisions create and contribute to a pool as an alternative to commercial insurance markets. No part of this Coverage Document is subject to the Texas Insurance Code.

VARIOUS PROVISIONS IN THIS COVERAGE DOCUMENT RESTRICT COVERAGE. READ THE ENTIRE DOCUMENT CAREFULLY

Except to the extent as may otherwise be provided herein, the coverage of this Coverage Document is limited to only those Claims THAT ARE FIRST MADE AGAINST THE MEMBER DURING THE COVERAGE DOCUMENT PERIOD AND TIMELY REPORTED TO THE POOL.

The Contribution and Coverage Declarations (CCD) issued to the Named Member by the Pool is part of this Coverage Document, subject to the terms, conditions, definitions, exclusions, and sublimits contained in this Coverage Document, any endorsements, and the Interlocal Participation Agreement (IPA).

Words and phrases that are capitalized have special meaning. Refer to SECTION II- DEFINITIONS

SECTION I – PRIVACY OR SECURITY EVENT LIABILITY AND EXPENSE COVERAGE AGREEMENT

In consideration of the Member's contribution to the Pool, and in reliance upon the representations made by the Member in the application and any renewal application for this coverage, and subject to all provisions contained in this Coverage Document, including any endorsements, the Pool agrees as follows:

First Party Coverages and Third Party Coverages under A. and B. below apply if:

i. The Covered Event commenced on or after the Retroactive Date in the CCD and before the end of the Coverage Document Period.

ii. For Third-Party Coverages, a Claim for Damages because of the Privacy or Security Event, a Regulatory Proceeding, or a PCI-DSS Assessment is first made against the Member during the Coverage Document Period or any Extended Reporting Period provided under Section VI; and

iii. The Member gives written notice of the Claim or Covered Event to the Pool in accordance with Section V.H.

A Claim seeking Damages will be deemed to have been made when notice of the Claim is received by any Member or by the Pool, whichever occurs first.

A. FIRST PARTY COVERAGES

1. Privacy Response Expenses

   The Pool will pay for Privacy Response Expenses incurred by the Member in connection with a Privacy or Security Event that results in the actual or reasonably suspected theft, loss or unauthorized disclosure of or access to Personal Information.

   But: The amount the Pool will pay for Privacy Response Expenses is limited as described in Section III.

2. Electronic Equipment and Data Recovery

   The Pool will pay for the Member's damage to, loss of use or destruction of electronic equipment caused by the reprogramming of the software (including the firmware) of such electronic equipment rendering it useless for its intended purpose, the reasonable and necessary expenses to determine whether Electronic Data can or cannot be restored, recollected, or recreated, and the reasonable and necessary expenses to restore, recreate or recollect Electronic Data for which a Member incurs as a result of a Privacy or Security Event.

3. Business Interruption Costs

   The Pool will pay for Business Income Loss, Expenses to Reduce Loss, Extra Expenses, and Proof of Loss Preparation Costs for which a Member incurs after the Waiting Hours Period of 12 hours and solely as a result of a Privacy or Security Event.

4. Cyber Extortion Coverage

   The Pool will pay for Cyber Extortion Expenses and Cyber Extortion Monies the Member pays as a direct result of a Cyber Extortion Threat, provided that such payment does not violate any applicable trade or economic sanctions law or regulation.

5. eCrime Coverage

   The Pool will pay for any direct financial loss sustained by a Member as a result of an eCrime Event. eCrime Coverage does not cover payment of any Damages, legal costs, or legal expenses, or the costs of proving or establishing the existence of an eCrime Event.

B. THIRD PARTY COVERAGES

1. Privacy or Security Event Liability

   The Pool will pay those sums a Member becomes legally obligated to pay as Damages because of a Privacy or Security Event.

2. Regulatory Proceedings and Penalties

   The Pool will pay for Regulatory Penalties the Member becomes legally obligated to pay as a result of a Regulatory Proceeding resulting from a Privacy or Security Event.

3. PCI-DSS Assessments

   The Pool will pay for PCI-DSS Assessments for which a Member is liable if the PCI-DSS Assessments are due to noncompliance by the Member with PCI Data Security Standards and the noncompliance results in a Privacy or Security Event.

   But: The amount the Pool will pay for PCI-DSS Assessments is limited as described in Section III.

C. THIRD PARTY DEFENSE, SETTLEMENT, AND ALLOCATION OF DAMAGES

1. Privacy or Security Event Defense:

   Subject to all of the provisions contained in this Coverage Document, the Pool has the right and duty to defend the Member against a Suit seeking Damages because of a Privacy or Security Event potentially covered by this Coverage Document. However, the Pool will have no duty to defend any Member against any Suit seeking Damages to which this coverage does not apply.

2. Regulatory Defense:

   Subject to all of the provisions contained in this Coverage Document, the Pool will have the right and duty to defend the Member against any Regulatory Proceeding to which this coverage applies. However, the Pool will have no duty to defend any Member against Regulatory Proceeding to which this coverage does not apply.

3. The Pool's duty to defend a Member against a Suit seeking Damages because of a Privacy or Security Event or against a Regulatory Proceeding shall terminate:

   a. If it is conclusively established that the Claim is not covered by this Coverage Document. This exception applies even if the fact conclusively established overlaps with the merits or contradicts the factual allegations of the Claim;

   b. If we have paid the full amount of the Limits or sublimits applicable to the Claim or on Aggregate;

   c. If the Member breaches any duty under this Coverage Document.

4. If a Suit alleges causes of action, some of which are potentially covered by this Coverage Document and others of which are not covered, the Pool has the right, but not the duty, to defend a Member against those causes of action which are not covered. If the Pool elects not to defend the Member against the non-covered causes of action, the Pool will notify the Member of its decision.

5. The Pool shall have the right to control the defense of any Suit or Regulatory Proceeding, including the right to select additional counsel for any Member. The Member may retain its own counsel at its own expense, but the Pool retains the exclusive right to control the defense.

6. The Pool shall have the right, but not the duty, to appeal any judgment or Regulatory Penalty adverse to the Member.

7. The Pool has no duty to defend a Member before a Claim is presented.

   a. Upon written request to the Pool by the Named Member for pre-Claim involvement of the Pool prior to the formal existence of a Claim, the Pool has the right, but not the duty, to designate attorneys, investigators, or other persons to perform work and incur expenses on behalf of the Named Member where the Pool anticipates a Claim.

   b. If, in the sole discretion of the Pool, employing the services of attorneys, investigators, or other persons to perform work and incur expenses on behalf of any Member or the Pool is deemed appropriate to protect Pool interests prior to the formal existence of a Claim, the Pool has the right, but not the duty, to employ persons as a Pool operational expense.

   c. Pre-Claim involvement of the Pool under 7.a or 7.b shall not constitute a waiver of any rights the Pool may have pursuant to any of the provisions of this Coverage Document. The Pool may withdraw at any time from pre-Claim involvement under 7.a or 7.b.

8. The Pool shall have the right to settle any Claim or Suit based on a Privacy or Security Event as may be deemed expedient by the Pool, and the Pool may settle any Claim or Suit at its sole discretion and without the consent of the Member. The determination by the Pool as to any settlement and as to the reasonableness of settlements and Claims Expenses shall be conclusive on the Member.

9. The Pool shall have no obligation to pay sums the Member shall become legally liable to pay as Claims or Damages that are not covered by this Coverage Document (including amounts in excess of any applicable sublimits) or to contribute to a settlement of any such Claims or Damages. In negotiating any settlement or Claim payment, the Pool shall have the right to request the Member make an appropriate contribution for uncovered Claims or Damages. If both Damages covered by this Coverage Document and Damages not covered by this Coverage Document are incurred or are to be incurred because a Claim made against the Member or Damages sought from the Member include both covered and uncovered matters, the Pool and the Member will use their best efforts to determine a fair and appropriate allocation of Damages between that portion of Damages that is covered under this Coverage Document and that portion of Damages that is not covered under this Coverage Document. The Pool and the Member will take into account the relative legal and financial exposures of, and relative benefits obtained in connection with the defense or settlement of, the Claim. In the event the Pool and the Member cannot reach an agreement as to an allocation of Damages, then the parties will each contribute the amount proposed by the Pool until a final amount is agreed upon or determined pursuant to the provisions of this Coverage Document and applicable law.

10. If the Pool determines that the Limits of Liability under this Coverage Document may be insufficient to pay or settle any covered Claim or Claims or First-Party Loss, or if there are multiple or competing Claims against one or more Members, the Pool may, in its sole

discretion, tender the remaining Limits of Liability available under this Coverage Document, either to the treasury of the Named Member, a person authorized to receive funds for the Named Member, or the registry of a court of competent jurisdiction and exhaust the Limits of Liability under this Coverage Document. Any tender under this provision shall be applied toward, and may result in the exhaustion of, the Aggregate under the CCD or any applicable sublimit.

SECTION II - DEFINITIONS

1. **Aggregate** means the Pool's total liability for (1) Damages and Claims Expenses resulting from all Claims first made against the Member during the Coverage Document Period; and (2) First-Party Losses for Covered Events which fall within the Coverage Document. The Pool's total liability shall not exceed the amount stated in the Declaration as Aggregate regardless of the time when the Claim or First-Party Loss is paid. If the Named Member exercises the right to purchase the Optional Extension Coverage, the Aggregate limit for the Optional Extended Reporting Period shall be no more than that which remains of the Aggregate limit from the immediately preceding Coverage Document Period.

2. **Bodily Injury** means physical injury, sickness or disease sustained by any person, including death resulting from these at any time. Bodily Injury also means mental illness, mental anguish or emotional distress, pain or suffering or shock sustained by any person, whether or not resulting from physical injury, sickness, disease or death of any person.

3. **Business Income Loss** means the sum of the following incurred during the Period of Indemnity:

   a. net revenue that the Named Member is prevented from receiving from the business operations of the Named Member due to a Material Interruption; and

   b. charges and expenses which necessarily continue (including ordinary payroll).

4. **Claim** means any demand for money Damages, Suit for Damages or Regulatory Proceeding or PCI-DSS Assessment resulting from a Privacy or Security Event. All Claims because of a single Privacy or Security Event will be deemed to be a single Claim and to have been made at the time the first such Claim is made against any Member, regardless of the number of individuals or entities making such Claims or the time period over which such Claims are made, even if subsequent Claims are made after the Coverage Document Period or any Extended Reporting Period provided under Section VI.

5. **Claim Expenses** means:

   a. Reasonable and necessary fees charged by attorneys designated by the Pool or designated by the Member with the Pool's prior consent to assist with the investigation, adjustment, negotiation, arbitration, defense or appeal of a Claim;

   b. All other reasonable and necessary fees, costs and expenses resulting from the investigation, adjustment, negotiation, arbitration, defense or appeal of a Claim and incurred by the Pool or by the Member with the Pool's prior consent; and

c. Premiums on appeal bonds, attachment bonds or similar bonds; however, the Pool is not obligated to apply for or furnish any such bond;

Provided, however, Claim Expenses do not include:

a. Any internal salary, administrative, overhead or other related expenses of any Member or any charges by a Member for time spent cooperating with the investigation and defense of any Claim;

b. Privacy Response Expenses; or

c. PCI-DSS Assessments.

6. **Computer System** means computers and associated input and output devices, data storage devices, networking equipment and backup facilities:

   a. Operated by and either owned by or leased to the Member; or

   b. Operated by a third party service provider and used to provide hosted computer application services to the Member or for processing, maintaining, hosting or storing the Member's electronic data pursuant to a written contract with the Member for such services.

7. **Contribution and Coverage Declarations (CCD)** means the document that sets forth the specific indication of the coverage, limits and deductibles, contributions and special provisions elected by each Member, including any modifications made by issuance of any amendatory CCD or endorsement.

8. **Covered Event** means a Privacy or Security Event, Cyber Extortion Threat, or eCrime Event.

9. **Coverage Document** means this agreement between the Pool and Member, including any endorsements.

10. **Coverage Document Period** means that one-year period Designated in the CCD, unless otherwise specified, or the period as shortened by termination, if any.

    If the Optional Extended Reporting Period coverage is purchased by the Member, it shall in no way increase the Coverage Document Period or any renewal, except that any Optional Extended Reporting Period shall be included in the previous Coverage Document Period for purposes of application of the Aggregate limit of the Pool's liability.

11. **Cyber Extortion Expenses** means all reasonable and necessary costs and expenses which a Member incurs as a direct result of a Cyber Extortion Threat, other than Cyber Extortion Monies, provided that Cyber Extortion Expenses shall not include:

    a. Privacy Response Expenses
    b. Extra Expenses
    c. Expenses to Reduce Costs
    d. Business Income Loss
    e. Proof of Loss Preparation Costs

f. Electronic Equipment and Electronic Data Damage
g. Any direct financial loss sustained as a result of an eCrime Event.

12. **Cyber Extortion Monies** means any funds, including any cryptocurrency, which the Named Member pays, with the prior written consent of the Pool, for the purpose of terminating the Cyber Extortion Threat.

13. **Cyber Extortion Threat** means a credible threat or series of related credible threats, including, but not limited to, a demand for Cyber Extortion Monies, directed at a Member to:

    a. Release, divulge, disseminate, destroy or use confidential information taken from the Member as a result of a Privacy or Security Event;

    b. Introduce malicious code into a Computer System;

    c. Corrupt, damage or destroy a Computer System;

    d. Restrict or hinder access to a Computer System.

14. **Damages** means compensatory damages, judgements, settlements, pre-judgement and post-judgement interest, including without limitation: (1) punitive, exemplary and multiple damages where covered by the applicable law which most favors coverage for such punitive, exemplary and multiple damages; (2) civil fines or penalties imposed by a governmental agency and arising from a Regulatory Action, unless the civil fine or penalty imposed is not covered under the law of the jurisdiction imposing such fine or penalty; (3) any monetary amounts a Named Member is required by law or has agreed to by settlement to deposit into a consumer redress fund; and (4) amounts payable in connection with a PCI-DSS Assessment.

    Damages does not include:

    a. any amount which may become due and payable under the terms of any contractual obligation whether imposed by law or by agreement of Member;

    b. attorney's fees and any costs, charges, fees or expenses of litigation if any are demanded from the Member without an accompanying demand for other relief which would constitute Damages, or that portion of any attorney's fees and any costs, charges, fees or expenses of litigation demanded from Member which may be attributed or allocated to a Claim or any part of a Claim excluded under this Coverage Document (including any part of a Claim that exceeds a sublimit imposed under this Coverage Document), to any demand for relief other than for actual or compensatory damages, or to any other demand or matter not covered under this Coverage Document.

    c. any consequential damages not flowing directly and immediately from a Privacy or Security Event but that result indirectly from such Privacy or Security Event.

15. **eCrime Event** means a Fraudulent Instruction, Funds Transfer Fraud, or Telephone Fraud that the Member first discovers during the Coverage Document Period.

16. **Effective Date** means the date the Coverage Document becomes effective in the Coverage Document Period. The Effective Date of any renewal of this Coverage Document shall be considered the Effective Date of a new Coverage Document Period.

17. **Electronic Data** means any software of electronic data stored electronically on a Computer System, including without limitation Personal Information.

18. **Expenses to Reduce Loss** means expenses incurred by the Member during the Period of Indemnity, over and above normal operating expenses, for the purpose of reducing Business Income Loss.

19. **Extra Expenses** means expenses incurred by the Member during the Period of Indemnity or the Extended Period of Indemnity (if any), other than Expenses to Reduce Loss, that would not have been incurred but for a Material Interruption.

20. **First-Party Loss** means any payment by the Pool for Privacy Response Expenses, Business Interruption Costs, Electronic Equipment and Electronic Data Damage, Cyber Extortion Expenses, Cyber Extortion Monies or payments under the e-Crime Coverage.

21. **Funds Transfer Fraud** means the loss of Money or Securities contained in a Transfer Account at a financial institution resulting from fraudulent written, electronic, telegraphic, cable, teletype, or telephone instructions by a third party issued to a financial institution directing such institution to transfer, pay, or deliver Money or Securities from any account maintained by the Named Member at such institution, without the Named Member's knowledge or consent.

22. **Fraudulent Instruction** means the transfer, payment, or delivery of Money or Securities by the Member as a result of fraudulent written, electronic, telegraphic, cable, teletype, or telephone instructions provided by a third party, that is intended to mislead a Member through the misrepresentation of a material fact which is relied upon in good faith by such Member. However, Fraudulent Instruction does not include any Funds Transfer Fraud or any loss arising out of any forged, altered, or fraudulent negotiable instruments or securities.

23. **Limits of Liability** of the Pool for payment of all Loss shall be the applicable Limit shown in the CCD under Limits of Liability. Limits of Liability include any applicable sublimits and the Aggregate limits.

24. **Loss** means any payment by the Pool for Damages, Regulatory Penalties, Claim Expenses, Privacy Response Expenses, PCI-DSS Assessments, Business Interruption Costs, Electronic Equipment and Electronic Data Damage, Cyber Extortion Expenses, Cyber Extortion Monies or payments under the e-Crime Coverage.

25. **Material Interruption** means the actual and measurable interruption or suspension of a Member's business directly caused by a Privacy or Security Event.

26. **Member** means (1) Named Member; (2) those persons, individually or collectively, acting within the scope of their Official Capacity who are duly elected or appointed officials or employees or volunteers of the Named Member. Anyone serving under a third party contract with the Named Member is not a Member. Any entity, including quasi-state entities and inter-jurisdictional task

forces, that stores any data, including Personal Information, on the Named Member's Computer System other than the Named Member is not a Member.

27. **Money** means a medium of exchange in current use authorized or adopted by a domestic or foreign government as a part of its currency.

28. **Named Member** means a county or other political subdivision so designated in the CCD.

29. **Official Capacity** means only those functions and responsibilities that come within the scope of performance of a Member for or on behalf of the Named Member.

30. **Optional Extension Coverage** means the optional coverage that may be purchased if the Pool, or the Named Member, cancels or refuses to renew this Coverage Document as set forth in Section VI of this Coverage Document.

31. **Optional Extended Reporting Period** means the period for which the Named Member elects to purchase Optional Extension Coverage.

32. **PCI-DSS Assessment** means any monetary penalty owed by a Member due to the Member's noncompliance with Payment Card Industry Data Security Standards (PCI-DSS) under an agreement between the Member and a financial institution or other person enabling the Member to accept credit cards, debit cards, prepaid cards, or other payment cards.

33. **Period of Indemnity** means 180 days from the expiration of the Waiting Hours Period.

34. **Personal Information** means an individual's name in combination with one or more of the following:

    a. Information concerning the individual that constitutes "nonpublic personal information" as defined in the Gramm-Leach Bliley Act of 1999, as amended, and implementing regulations;

    b. Medical or health care information concerning the individual, including without limitation "protected health information" as defined in the Health Insurance Portability and Accountability Act of 1996, as amended, and implementing regulations;

    c. The individual's Social Security number, driver's license or state identification number, credit, debit, or other financial account numbers and associated security codes, access codes, passwords or personal identification numbers that allow access to the individual's financial account information; or

    d. Other nonpublic personally identifiable information, as protected under any local, state, federal or foreign law;

    Provided, however, Personal Information does not include information that is lawfully available to the public, including without limitation information lawfully available from any Member or any local, state, federal or foreign governmental entity.

35. **Pool** means the Texas Association of Counties Risk Management Pool.

36. **Privacy or Security Event** means:

a. The actual or reasonably suspected theft, loss or unauthorized disclosure of or access to Personal Information in the care, custody or control of the Member or for which the Member is legally responsible, regardless of whether such Personal Information is maintained in electronic, paper or any other format; or

b. A violation or failure of the security of a Computer System, including but not limited to unauthorized access, unauthorized use, a denial of service attack or receipt or transmission of malicious code.

Except that Privacy or Security Event does not include any:

a. Failure or termination of any core element of internet, telecommunications, or GPS infrastructure that results in a regional, countrywide, or global outage of such infrastructure;

b. Suspension, cancellation, revocation, or failure to renew any domain names, secure sockets layer certificates, or uniform resource locators;

c. Failure to adequately anticipate or capacity plan for normal and above operational demand for Computer Systems except where this demand is due to a denial of service attack;

d. Ordinary wear and tear, obsolescence, or gradual deterioration of the physical components of Computer Systems or Computer System software; or

e. Failure in the design, architecture, or configuration of Computer Systems.

Any Privacy or Security Event that is continuous or part of a series of repeated or related Privacy or Security Events will be considered to be a single Privacy or Security Event and will be considered to have commenced when the first such Privacy or Security Event commenced regardless of:

a. The number of individuals or entities engaged in such Privacy or Security Events;

b. The number of individuals or entities affected by such Privacy or Security Events;

c. The number of locations where such Privacy or Security Events occurred; or

d. The number of such Privacy or Security Events occurring or period of time over which they occur, even if subsequent Privacy or Security Events take place after the Coverage Document Period.

37. **Privacy Response Expenses** means the following reasonable and necessary costs incurred by the Member within one year of the discovery of a Privacy or Security Event that results in the actual or reasonably suspected theft, loss or unauthorized disclosure of or access to electronic Personal Information in the care, custody or control of the Member or for which the Member is legally responsible:

a. For the services of a security expert designated by the Pool to determine the scope and cause of a Privacy or Security Event;

b. For the services of consultants or attorneys designated by the Pool to determine the Member's obligations, if any, under applicable law;

c. To notify affected individuals if required by applicable law or if the Member voluntarily elects to give such notice, and for the services of a contractor designated by the Pool to assist with providing such notice and responding to questions and concerns raised by individuals who are notified;

d. For the services of a contractor designated by the Pool to provide identity theft protection services to affected individuals if the Member elects to provide such services; and

e. For the services of a public relations consultant designated by the Pool to avert or mitigate damage to the Member's reputation as a result of the Privacy or Security Event;

Provided, however, Privacy Response Expenses do not include:

a. Any internal salary, administrative, overhead or other related expenses of any Member or any charges by a Member for time spent cooperating with the investigation and response to any Privacy or Security Event;

b. Claim Expenses;

c. PCI-DSS Assessments;

d. Electronic Equipment Damage and Data Recovery;

e. Network Interruption Costs;

f. Cyber Extortion Expenses;

g. Cyber Extortion Monies; or

h. Any direct financial loss sustained as a result of an eCrime Event.

38. **Proof of Loss Preparation Costs** means fees and expenses incurred by a Member for the services of a third-party forensic accounting firm to establish and prove the amount of loss, including those costs in connection with preparing a proof of loss. Proof of Loss Preparation Costs does not include any fees or expenses for consultation on coverage or negotiation of claims.

39. **Property Damage** means damage to, loss of use of, or destruction of any tangible property; however, Property Damage does not include the loss of use or damage of electronic equipment caused by the reprogramming of software (including the firmware) of such electronic equipment rendering it useless for its intended purpose. For purposes of this definition, "tangible property" shall not include Electronic Data.

40. **Regulatory Penalties** means any civil fine or civil monetary penalty imposed in a Regulatory Proceeding payable by a Member to the governmental entity bringing the Regulatory Proceeding and any sum of money that a Member is legally obligated to deposit in a fund as equitable relief for the payment of consumer Claims due to an adverse judgment or settlement of a Regulatory Proceeding.

41. **Regulatory Proceeding** means a civil investigative demand, Suit, civil investigation or civil proceeding commenced by or on behalf any local, state, federal or foreign governmental entity in the entity's regulatory or Official Capacity.

42. **Securities** means negotiable and non-negotiable instruments or contracts representing either Money or tangible property that has intrinsic value.

43. **Suit** means a civil proceeding arising out of a Privacy or Security Event and includes an arbitration proceeding or other alternative dispute resolution proceeding and to which the Member must submit or does submit with the consent of the Pool.

44. **Telephone Fraud** means the act of a third party gaining access to and using the Named Member's telephone system in an unauthorized manner.

45. **Transfer Account** means an account maintained by the Named Member at a financial institution from which the Named Member can initiate the transfer, payment or delivery of Money or Securities.

46. **Waiting Hours Period** means the number of hours that must elapse once a Material Interruption has begun.

SECTION III - LIMITS OF LIABILITY

The following Limits of Liability apply unless otherwise stated on the CCD.

A. LIMITS OF LIABILITY

1. Regardless of the number of:

   a. Members involved in a Claim or Covered Event;

   b. Persons or entities making Claims, bringing Suits, or bringing Regulatory Proceedings;

   c. Claims made or Covered Events,

   exhaustion of the Limits of Liability shown in the CCD shall terminate the Pool's liability to pay any Loss. The Pool shall never be required to pay any amount in excess of the applicable Limits of Liability shown in the CCD.

2. The Pool's total liability for all Loss during any one Coverage Document Period shall never exceed the Aggregate stated in the Limits of Liability of the CCD. Exhaustion of the amount designated as Aggregate in the CCD terminates: (1) the Pool's duty to defend any Member in connection with any Claims or Regulatory Proceedings then pending against the Member; and (2) the Pool's liability to pay any amounts for any Loss. Tender by the Pool, under

Section 1.C.10, of an amount that would exhaust the Aggregate Limits of Liability under the CCD shall constitute an exhaustion of the Aggregate limits.

3. The Limits of Liability are inclusive of Claims Expenses.

B. SUBLIMITS

a. Electronic Equipment and Data Recovery. The Limits of Liability are inclusive of a Loss for Electronic Equipment and Data Recovery Costs subject to a sublimit not to exceed an annual Aggregate Limit of Liability as stated in the CCD.

b. Business Interruption. The Limits of Liability are inclusive of a Loss for Business Interruption subject to a sublimit not to exceed an annual Aggregate Limit of Liability as stated in the CCD.

c. Cyber Extortion Expenses and Monies. The Limits of Liability are inclusive of a Loss for Cyber Extortion Expenses and Monies subject to a sublimit not to exceed an annual Aggregate Limit of Liability as stated in the CCD.

d. eCrime Coverage. The Limits of Liability are inclusive of a Loss under the eCrime Coverage, subject to a sublimit not to exceed an annual Aggregate Limit of Liability as stated in the CCD.

C. DEDUCTIBLE

The Pool will pay only those Losses which are in excess of the Deductible amounts stated in the CCD. The Deductible amount stated in the Declaration shall be borne by the Named Member and shall not be borne by the Pool. The Named Member is wholly responsible for paying the entire Deductible shown in the CCD. A Member, other than the Named Member, has no personal responsibility for paying any portion of the Deductible, and is fully covered for the amount of any liability not in excess of $100,000, as referenced in Texas Civil Practices and Remedies Code Section 108.002.

At the option and discretion of the Pool, the Pool may pay all or part of the Deductible amount to effect settlement, and, upon notification to the Named Member, Named Member shall promptly reimburse the Pool for all expenditures. If the Pool pays any Losses which fall within the Deductible amount stated in the CCD the Named Member, upon notification, shall promptly reimburse the Pool for all expenditures.

The Deductible amount stated in the CCD shall be applicable to each Covered Event, and the Pool will pay only such amounts as are in excess of the deductible amount shown in the CCD. If two or more deductibles apply to a Covered Event which results in a Loss covered under this Coverage Document, the total deductible will not exceed the single largest deductible applicable to the Covered Event.

SECTION IV – EXCLUSIONS

This coverage does not apply to any Loss for, arising out of, or resulting from:

1. Bodily Injury or Property Damage;

2. Any liabilities, responsibilities, duties or activities assumed, undertaken or accepted by any Member pursuant to any contract or agreement, including constructive and implied contracts, warranties, and demands, or any Claim which alleges, involves, or arises from any theory of quasi-contract, quantum meruit, or any theory of estoppel; provided, however, that this exclusion shall not apply:

   a. To the extent the Member would have been liable in the absence of such contract or agreement; or

   b. To amounts payable as PCI-DSS Assessments.

   c. With respect to Privacy or Security Event Liability and Privacy or Security Expenses coverage, to the Member's obligations to maintain the confidentiality or security of personally identifiable information or third-party corporate information.

3. Any actual or alleged antitrust violation, restraint of trade, unfair competition, or false or deceptive or misleading advertising or violation of the Sherman Anti-Trust Act, the Clayton Act, or the Robinson-Patman Act, as amended, or any other federal, state, local, foreign or common law rules or regulations involving antitrust, restraint of trade, unfair competition, or false or deceptive or misleading advertising;

4. Any actual or alleged false, deceptive or unfair trade practices; however, this exclusion does not apply to any Claim or Loss covered that results from a theft, loss or unauthorized disclosure of or access to Personal Information;

5. The actual or alleged unlawful collection or acquisition of Personal Information by or on behalf of the Member; or the failure to comply with a legal requirement to provide individuals with the ability to assent to or withhold assent (i.e., opt-in or opt-out) from the collection, disclosure, or use of Personal Information; or

   The distribution of unsolicited email, direct mail, or facsimiles, wiretapping, audio or video recording, or telemarketing, including actual or alleged violations of:

   i. The Telephone Consumer Protection Act (TCPA, including any amendment or addition to such law;

   ii. The CAN-SPAM Act of 2003, including any amendment of or addition to such law;

   iii. Any federal, state or local statute, ordinance or regulation, other than the TCPA or CAN-Spam Act of 2203 and their amendments and additions, or any other legal liability, at common law or otherwise, that addresses, prohibits, or limits the dissemination, recording, sending, transmitting, communicating or distribution of material or information.

This exclusion only applies if such distribution, wiretapping, recording or telemarketing is done by or on behalf of the Member.

6. Any of the following conduct by a Member:

   a. Any actual or alleged violation of the Organized Crime Control Act of 1970 (commonly known as the Racketeer Influenced and Corrupt Organizations Act or RICO), as amended, or any regulation promulgated thereunder or any similar federal law or law of any state, locality or foreign government, whether such law is statutory, regulatory or common law;

   b. Any actual or alleged violation of any securities law, regulation or legislation, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Act of 1940, any state blue sky or securities law, any other federal securities law or legislation, or any other similar law or legislation of any state, locality or foreign government, or any amendment to such laws, or any violation of any order, ruling or regulation issued pursuant to such laws;

   c. Any actual or alleged violation of the Fair Labor Standards Act of 1938, the National Labor Relations Act, the Worker Adjustment and Retraining Act of 1988, the Certified Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act of 1970, the Employee Retirement Security Act of 1974 or any similar law or legislation of any state, locality or foreign government, or any amendment to such laws, or any violation of any order, ruling or regulation issued pursuant to such laws;

   d. Any actual or alleged discrimination of any kind including but not limited to age, color, race, sex, creed, national origin, marital status, sexual preference, disability or pregnancy; or

   e. Any actual or alleged violations of the Fair Credit Reporting Act (FCRA), and any amendment of or addition to such law, including the Fair Accurate Credit Transactions Act (FACTA).

7. Any criminal, dishonest, fraudulent, or malicious act, error or omission, any intentional security breach, or any intentional or knowing violation of the law committed by any Member; provided, however, this exclusion shall not apply unless there is a final adjudication of such conduct, an admission of such conduct by the Member, or in a criminal proceeding a plea of guilty, *nolo contendere*, no contest or any similar plea by the Member;

8. The actual or alleged transmission of a communicable disease. This applies even if the claims against any Member allege negligence or other wrongdoing in the: Supervising, hiring, employing, training or monitoring of others that may be infected with and spread a communicable disease; testing for a communicable disease; failure to prevent the spread of the disease; or failure to report the disease to authorities;

9. Any actual or alleged:

   a. Infringement of patent or patent rights or misuse or abuse of patent; or

b. Infringement of copyright arising from or related to software code, software products, hardware, or firmware; or

c. Use or misappropriation of any ideas, intellectual property, or trade secrets by a Member or on behalf of, or in collusion with a Member;

10. Any of the following:

    a. Trading losses, trading liabilities or change in value of accounts;

    b. Any loss of monies, securities or tangible property of others in the care, custody or control of the Member;

    c. The monetary value of any electronic fund transfers or transactions by or on behalf of the Member that is lost, diminished, or damaged during transfer from, to or between accounts, except for direct financial loss sustained as a result of an eCrime Event; or

    d. The value of coupons, price discounts, prizes awards, or any other valuable consideration given in excess of the total contracted or expected amount that is lost, diminished or damaged.

11. Any court order or demand requiring any Member to provide personally identifiable information to any domestic or foreign law enforcement, administrative, regulatory, or judicial body or other governmental authority.

12. Any Claim made by or on behalf of a Member under this Coverage Document; however, this exclusion will not apply to an otherwise covered Claim made by a Member arising from a Privacy or Security Event.

13. Any withdrawal, recall, inspection, adjustment, removal, or disposal of any property, tangible or intangible, including any Computer System and their component parts, mobile devices, and mechanical equipment.

14. War, invasion, acts of foreign enemies, terrorism, hostilities (whether war be declared or not), civil war, rebellion, revolutions, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power, or any action taken by a governmental authority to hinder, control, prevent, suppress or defend against any of the aforementioned actions.

15. Any use of computers and associated input and output devices, data storage devices, networking equipment, and/or backup facilities by or on behalf of a sovereign state to disrupt, degrade, manipulate, or destroy information in the Named Member's Computer System.

16. The premeditated use of disruptive activities, or the threat to use disruptive activities, against the Named Member's Computer System with the intention to further social, ideological, political, or similar objectives, unless it results in the actual or reasonably suspected theft, loss, or unauthorized disclosure of or access to Personal Information.

17. Confiscation, nationalization, requisition, shutdown, destruction of, or damage to any property, Computer System, software, or electronic data if required by statute or by order of any governmental or public authority.

18. Any Covered Event that occurred before the Coverage Document Period and that any Member knew or reasonably should have known would result in a Claim, Suit or other Loss covered by this Coverage Document.

19. Any charge back, interchange fee, discount fee, service-related fee, rate, or charge; or liability or fee incurred by a Member due to a merchant service provider, payment processor, payment card company, or bank reversing or freezing payment transactions, except that this exclusion will not apply to any PCI-DSS Assessments.

20. Any disclosure of Personal Information due to pixels, cookies, or any other similar tool in a website owned or operated by the Named Member which tracks or collects the Personal Information of the website's users.

21. Any acts, services, or duties in furtherance of or supervision of the law enforcement pursuits or activities of any law enforcement officials, department, or agency of the Named Member, except for the unintended disclosure of Personal Information by a law enforcement official, department, or agency of the Named Member.

22. The failure to adequately supply electrical power or fuel arising out of the interruption of the electrical power supply or fuel supply.

SECTION V - CONDITIONS

A. COMPLIANCE WITH CONDITIONS

If any Member fails to comply with any of the provisions of this Coverage Document, misrepresents any material fact, breaches any warranty, engages in fraudulent acts, makes false statements, or fails to comply with reasonable Pool requests, whether or not the Pool is actually prejudiced, there shall be no coverage, including any obligation to defend, for any Member as to the particular Claim or Loss in connection with which the breach occurred.

B. COVERAGE DOCUMENT AS PROPRIETARY

This Coverage Document is a proprietary instrument created by the Pool and includes confidential information and trade secrets that might be beneficial to competitors in the marketplace. Therefore, if requests are made for the Coverage Document, or for any other documents related to reasonably anticipated or ongoing litigation, the Member must inform the Pool immediately and may not turn over such documents without the Pool's written consent. In the event a request is made for such documents under the Public Information Act, the Member must object to the production with the Attorney General and provide third-party notice of the request to the Pool.

C. CCD

The CCD issued by Pool for any Coverage Document Period constitutes terms and conditions for that Coverage Document Period, and constitutes part of the Coverage Document for the Coverage

Document Period. In the case of an extension of coverage, the CCD may be issued in the form of an extension endorsement.

D. DELIVERY OF THIS COVERAGE DOCUMENT

Delivery of this Coverage Document to the Named Member shall be considered delivery to each Member and the Named Member is authorized by each Member to accept delivery on the Member's behalf.

E. APPLICATION FOR COVERAGE

The application and any renewal application for this coverage submitted to the Pool, which is signed by the Named Member or its authorized representative, is part of this Coverage Document for purposes of reliance by the Pool on information contained in the application. Any substantial mistake or misrepresentation in an Application for coverage which is relied upon by the Pool terminates all the obligations of the Pool under this Coverage Document, including those of payment and defense. The Pool may, at its sole option, elect to waive termination of any part of its obligations.

F. ASSISTANCE AND COOPERATION OF THE MEMBER

1. The Member shall, without charge to the Pool, provide and assist and cooperate with the Pool in obtaining (whether by discovery in pending litigation against the Member or otherwise) truthful and accurate information pertaining to a Claim and Damages, including information bearing on the existence or nonexistence of coverage for the Claim or Damages under this Coverage Document, and for these purposes shall:

   a. Upon the request of the Pool, or its authorized representative, submit to examination under oath by a representative of the Pool;

   b. Attend and participate in hearings;

   c. Attend and testify truthfully in depositions and trials; and

   d. Assist in effecting settlement, securing and giving evidence, obtaining the attendance of witnesses in the conduct of suits, in giving accurate and truthful written statements to the Pool's representatives and meeting with the Pool's representatives for the purposes of investigation and defense and determining whether the Claim or Damages are covered under this Coverage Document.

2. Neither the Named Member, nor any of its employees, agents, attorneys, elected officials, or representatives, shall, except at its own cost, make any payment, assume or admit any liability, waive any defense or settle any Claim or action or incur any expense, without the prior written consent of the Pool. Any voluntary payments made or expenses incurred shall be the sole obligation of the Member. Any liability admitted, assumed or settled, or defenses waived, without prior written consent of the Pool, shall terminate the duty of the Pool to defend or indemnify any Member against the Claim.

3. Further, the Member shall not demand, or agree to, arbitration or mediation of any Claim made against the Member without prior written consent of the Pool.

4. Each Member agrees to cooperate with the Pool in the prosecution of Claims, suits, indemnity actions, cross-claims, and/or counterclaims as the Pool, in its sole discretion, shall deem to be appropriate with respect to any Claim or suit brought against any Member and each Member agrees to execute papers as are required to be executed in the defense of any action against any Member, or with respect to the prosecution of Claims, suits, indemnity actions, cross-claims, counterclaims, and efforts to settle a Claim, including offers of judgement.

5. The Named Member is authorized by each Member to give and receive all notices to and from the Pool on the Member's behalf.

G. INTERPRETATION AND LIMITATIONS

The Pool and the Named Member are sophisticated entities and agree that this Coverage Document will be interpreted according to its plain meaning and no provision shall be construed against either party by virtue of drafting. The Pool and Named Member agree that this Coverage Document creates an arms-length relationship and does not impose any fiduciary duties on the Pool. The Pool and Named Member further agree that the full extent of the obligations and liabilities of the parties are contained within this document and that no extra-contractual duties shall be imposed upon either the Pool or the Named Member by reason of this Coverage Document.

H. NOTICE TO THE POOL

1. As a condition precedent to the obligations of the Pool under this coverage, the Member must give written notice to the Pool of any Claim made against the Member as soon as practicable, but in no event later than the end of the Coverage Document Period or any Extended Reporting Period provided under Section VI.

2. As a condition precedent to the obligations of the Pool under this coverage, the Member must give written notice to the Pool of any Covered Event as soon as practicable and provide all such information relating to the Covered Event as the Pool may reasonably request.

3. If during the Coverage Document Period, any Member becomes aware of a Covered Event that may reasonably be expected to give rise to a Loss, including a Regulatory Proceeding or PCI-DSS Assessment, the Member must give written notice to the Pool of such Covered Event as soon as practicable, but in no event later than the end of the Coverage Document Period or any Extended Reporting Period provided under Section VI. Notice must include:

   a. A specific description of the Covered Event, including all relevant dates;

   b. The names of persons involved in the Covered Event, including names of potential claimants and a specific description of any Personal Information actually or reasonably suspected to have been subject to theft, loss or unauthorized access or disclosure;

   c. The specific reasons for anticipating that a Loss may result from such Covered Event;

   d. The specific nature of the alleged or potential Loss arising from such Covered Event; and

e. The specific circumstances by which the Member first became aware of the Covered Event.

Any Claim subsequently made against any Member or First-Party Loss subsequently arising out of such Covered Event shall be deemed to be a Claim made or First-Party Loss paid during the Coverage Document Period in which the Covered Event was first reported to the Pool.

I. ACTION AGAINST THE POOL

1. No legal action may be brought against the Pool unless there has been full compliance with all terms of this Coverage Document. In addition, no action may be brought against the Pool in regard to any matter involving a Claim or Suit or proceeding involving this Coverage Document until the amount of the Member's obligation with respect to the pertinent Claim or suit or proceeding has been finally determined either by: (a) final judgment against the Member by the court of last resort after actual trial of the issues and appeal has been determined, or if the time to appeal therefrom has expired without an appeal having been taken; or (b) by written agreement of the Member, the claimant and the Pool.

2. Nothing contained in this Coverage Document shall give the Member or any person, firm, corporation or organization other than the Pool, any right to join the Pool as a party in any action or proceeding against the Member to determine the Member's liability.

3. Any action against the Pool by the Member or any other person must be brought within two years and one day after the cause of action accrues.

J. SUBROGATION

If it makes any payment under this Coverage Document, the Pool shall be subrogated to all of the Member's rights of indemnity or recovery, against any individual, firm, corporation, organization, or any other person. The Member shall execute and deliver instruments and papers and do whatever else shall be reasonably requested to advance the Pool's pursuit of its subrogation rights, and Members shall do nothing after any Claim is made to prejudice the Pool's rights. The Pool shall be entitled to take over and conduct, in the name of the Member, for the Pool's own benefit, any Claim to which the Pool is subrogated against any third party. The Pool may pursue or settle any Claim for its own benefit at its sole discretion.

K. CANCELLATION OR NON-RENEWAL

1. Either party to this Coverage Document may cancel or non-renew this Document by giving notice of such intent to the other party. The notice must be in writing and must be delivered by certified mail, return receipt requested via U.S. Mail to the other party. Except for notice of cancellation or non-renewal by the Pool for nonpayment of Contributions, such notice must be given not less than 60 days prior to the effective date of cancellation.

2. The Pool may, in the Pool's sole discretion, permit the Named Member, upon the Named Member's written request, to terminate this Coverage Document by giving the Pool not less than 30 days' notice.

3. Notice of cancellation by the Named Member must be addressed to:

   Texas Association of Counties Risk Management Pool
   Attn: Member Services
   P.O. Box 2131
   Austin, Texas 78768-2131

4. The Pool may cancel or non-renew this Coverage Document for the following:

   a. For nonpayment of Contributions, unless other provision for payment has been made by express written agreement between the Named Member and the Pool;

   b. If there is an increase in risk or hazard within the Named Member's control which would result in an increase in the rate or amount of Contribution;

   c. For fraud in the obtaining of coverage;

   d. If the Pool is placed in supervision, conservatorship, or receivership and the cancellation is approved or directed by the supervisor, conservator or receiver;

   e. If the Named Member does not implement risk management techniques required by the Pool during the initial Coverage Document Period, or if risk management techniques do not result in the Named Member's attaining a risk level sufficient to meet the Pool's underwriting criteria during the initial coverage period;

   f. For underwriting reasons;

   g. If the Interlocal Participation Agreement between the parties is terminated or the Named Member withdraws or is expelled from the Pool; or

   h. For the Named Member's violation of any of the Named Member's other obligations under the Pool's Bylaws or the Interlocal Participation Agreement between the Named Member and the Pool.

5. If the Pool cancels this Coverage Document for fraud in the obtaining of coverage or for nonpayment of Contributions the cancellation shall be effective at 12:01 a.m. on the 10th day following the Pool's placement of the notice of cancellation in the U.S. Mail. These conditions do not waive or alter any other applicable provisions of the Pool's Bylaws or the Interlocal Participation Agreement between the Named Member and the Pool.

6. Notice of cancellation by the Pool may be given to the county judge or presiding officer of the Named Member at the Named Member's address shown in the CCD.

L. RETAINED CONTRIBUTION PROPORTIONS

If this Coverage Document is terminated by or on behalf of the Pool, the Pool shall retain the customary pro-rata proportion of the contribution.

M. CERTAIN MODIFIED TERMS

An increase in contribution or deductible, or reduction in Limit of Liability or Aggregate, or addition of endorsements to the Coverage Document, does not constitute a termination or refusal to renew this Coverage Document.

N. CHANGES

The Pool may make changes to this Coverage Document, as permitted by the Pool's Bylaws, the Interlocal Participation Agreement between the Named Member and the Pool, and the laws governing the creation and operation of the Pool. This Coverage Document's terms cannot be amended or waived without the written authorization of the Pool. Any changes to the Pool's Bylaws, the Interlocal Participation Agreement between the Pool and the Named Member, or the Pool's underwriting standards or criteria are incorporated.

O. LIBERALIZATION

If the Pool changes this Coverage Document to provide more coverage without additional premium charge, the additional coverage will be effective as of the day indicated in the Pool's written notice of change to the Named Member.

P. WAIVER

Notice to any agent or knowledge possessed by any agent or by any other person of any fact, condition or other matter which might constitute grounds for denial of coverage shall not effect a waiver or a change in any part of this Coverage Document or estop the Pool from asserting any rights, including a right to deny coverage, under this Coverage Document. The terms of this Coverage Document may not be waived or changed except by a written endorsement issued by the Pool.

Q. ASSIGNMENT

Assignment of any interest under this Coverage Document shall not bind the Pool without its prior written consent.

R. OTHER COVERAGE OR INSURANCE

If there is or may be other coverage or insurance against any incident, loss or Claim for which coverage is afforded under this Coverage Document, the coverage provided under this Coverage Document shall be deemed to be excess over any valid and collectible coverage or insurance available to any Member against whom a Claim is made. Members shall respond promptly to any reasonable inquiries from the Pool concerning other coverage or insurance that may be afforded to the Member or certain Members.

However, coverage will not be extended under this Coverage Document for any Claim for which a Member has or had occurrence-based coverage or insurance in place at the time of the Wrongful Act or occurrence resulting in any Claim.

S. JURISDICTION AND VENUE

The validity and interpretation of this Coverage Document will be governed by the laws of the State of Texas. This Coverage Document is performable and enforceable in Travis County, Texas. The state district courts in Travis County will be the sole and exclusive venue for any litigation, special proceeding, or other proceeding arising from the performance of this Coverage Document.

T. ENTIRE AGREEMENT

The Coverage Document, the Pool's Bylaws and Plan of Operation and the Interlocal Participation Agreement between the Pool and the Named Member together constitute the entire coverage agreement and this agreement cannot be modified except as agreed in writing. In the event of any conflicts regarding the coverage afforded, this Coverage Document controls.

U. REPRESENTATIONS

By accepting this Coverage Document, the Member agrees that the Member's statements in the application for Coverage and renewal documents are the Member's agreements and representations, that this Document is issued in reliance upon the truth of such representations and that this Coverage Document, the Pool's Bylaws, the Interlocal Participation Agreement between the Member and the Pool, and the Pool's duly adopted underwriting standards and criteria embody all agreements existing between the Member and the Pool or any of the Pool's agents relating to this Coverage Document.

V. PAYMENT

Payment of contribution to the Pool by the Named Member, as consideration for this agreement, shall be made as set forth in the CCD.

W. TWO OR MORE COVERAGE DOCUMENTS ISSUED BY THE POOL

If this Coverage Document and any other coverage document issued to the Named Member by the Pool apply to the same Claim or Loss, the aggregate maximum limit of liability under all coverage documents shall not exceed the highest applicable limit of liability under any one coverage document. The Pool and the Named Member agree that the limits of Pool coverages do not combine with respect to payment of Damages, Claims Expenses, or any other Loss. This condition does not apply to any coverage document issued by the Pool specifically to apply as excess insurance over this Coverage Document.

X. EXAMINATION OF THE NAMED MEMBER'S BOOKS AND RECORDS

The Pool may examine and audit the Named Member's books and records as they relate to this Coverage Document or as may be required for the administration of the Pool.

Y. INSPECTIONS AND LOSS CONTROL

The Pool has the right but is not obligated to:

1. Make inspections and surveys at any time;

2. Make risk management appraisals of the Named Member's operations, policies, procedures, vehicles, personnel and facilities;

3. Require the Named Member to implement and follow risk management procedures or techniques established by the Pool to reduce risk sufficient to meet the Pool's underwriting criteria. Any inspections, surveys, reports or requirements relate only to the Named Member's eligibility for liability coverage and the Contribution to be charged. The Pool does not make safety inspections. The Pool does not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public, nor does the Pool warrant that conditions are safe or healthful or comply with laws, regulations, codes or standards.

This condition applies not only to the Pool, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

SECTION VI - EXTENDED REPORTING PERIOD

A. No Automatic or Optional Extended Reporting Period will be provided if the Pool cancels coverage for non-payment of contribution, cancels or rescinds coverage for material misrepresentation or fraud or cancels or rescinds coverage for violation by the Named Member of the Interlocal Participation Agreement, bylaws or other rules governing the conduct of Member of the Pool.

B. If the Pool cancels or non-renews the coverage provided under this Coverage Document, the Named Member will have the right to an automatic extended reporting period of (60) days, which will commence on the effective date of such cancellation or nonrenewal. During the automatic extended reporting period, a Member may give notice to the Pool of any Covered Event that commenced on or after the Retroactive Date, if any, shown in the CCD and before the effective date of the cancellation or non-renewal and for which a Claim was first made against the Member, or which gives rise to a First-Party Loss, during the Coverage Document Period or the automatic extended reporting period. Such notice must be given in accordance with Section V.G.

C. If the Pool terminates or refuses to renew this Coverage Document for reasons other than the Named Member's fraud in obtaining coverage or non-payment of contributions or deductibles or non-compliance with the terms and conditions of this Coverage Document, or if the Named Member terminates or refuses to renew this Coverage Document, the Named Member, upon payment of an additional contribution as set forth below, shall have the option to extend the claims made coverage afforded by this Coverage Document to apply to Claims first made against the Named Member during the 12 or 24 month period immediately following the Effective Date of the termination. An Optional Extended Reporting Period is limited to and shall only be effective for purposes of any Wrongful Act committed before the date on which the Optional Extended Reporting Period began and after the retroactive date set forth in the CCD, if any, subject to the terms, conditions, definitions, Limits of Liability, exclusions and deductible provisions of the Coverage Document in effect on the date the Optional Extended Reporting Period is exercised.

D. An increase in contribution or deductible, or reduction in Limit of Liability or Aggregate, does not constitute a termination or refusal to renew this Coverage Document that would trigger an option to elect an Optional Extended Reporting Period.

E. The extension of coverage for Claims made and reported after termination of the Coverage Document shall be endorsed, if purchased, and shall be referred to in this Coverage Document as the Optional Extended Reporting Period. Individual Claims made and reported during any Optional Extended Reporting Period shall be deemed to have occurred during the most recent Coverage Document Period and all terms of the Coverage Document shall apply.

F. The contribution for the Optional Extended Reporting Period elected by the Named Member shall be:

1. For a 12 month Optional Extended Reporting Period: 100 percent of the full annual contribution for coverage under this Coverage Document;

2. For a 24 month Optional Extended Reporting Period: 150 percent of the full annual contribution for coverage under this Coverage Document.

G. As a condition precedent to the Named Member's right to purchase the Optional Extended Reporting Period coverage, the Named Member must tender payment of all contributions and any unpaid deductibles due for the preceding period of coverage. The Named Member's right to purchase the Optional Extended Reporting Period coverage must be exercised by notice in writing and tendering of the contribution due not later than 10 days after the termination of this Coverage Document. If notice and contributions are not timely and properly made to the Pool, the Named Member shall not at a later date have any right to elect an Optional Extended Reporting Period.

H. At the beginning of any Optional Extended Reporting Period, the entire contribution shall be deemed earned, and if the Named Member terminates the Optional Extended Reporting Period before the expiration of its full term for any reason, the Pool shall not be liable to return to the Named Member any portion of the contribution for the Optional Extended Reporting Period.

I. The Automatic Extended Reporting Period will not apply where an Optional Extended Reporting Period has been purchased or to Claims that are covered under any subsequent coverage a Named Member purchased for a Member's benefit, or that would be covered by any such subsequent insurance or other coverage but for exhaustion of the amount of insurance applicable to the Claims or any applicable retention amount.

PRIVACY OR SECURITY EVENT LIABILITY AND EXPENSE COVERAGE DOCUMENT

AI COVERAGE ENDORSEMENT

Coverage Agreement – Subject to the Limits of Liability shown in the Coverage Document and all other provisions of the Coverage Document, coverage is amended as described in this endorsement.

SECTION II – DEFINITIONS is amended to add:

47. **AI System** means any machine-based system that is designed to operate with varying levels of autonomy and that may exhibit adaptiveness after deployment, and that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments.

48. **Malicious Data Poisoning Event** means any intentional access to, misuse of, alteration of, or destruction of, the training data set of an AI System under the ownership, control, or operation of the Named Member by a person or entity other than a Member and without the authorization of a Member.

49. **Prompt Injection Attack** means any intentional manipulation of electronic data inputs into a Computer System or AI System under the ownership, control, or operation of the Named Member in order to inject malicious instructions and manipulate or alter the intended operation or function of such Computer System or AI System without the authorization of a Member.

SECTION II – DEFINITIONS, 13. CYBER EXTORTION THREAT is deleted and replaced with the following:

13. **Cyber Extortion Threat** means a credible threat or series of related credible threats, including, but not limited to, a demand for Cyber Extortion Monies, directed at a Member to:

    a. Release, divulge, disseminate, destroy or use confidential information taken from the Member as a result of a Privacy or Security Event;

    b. Introduce malicious code into a Computer System;

    c. Corrupt, damage or destroy a Computer System, including a Malicious Data Poisoning Event or Prompt Injection Attack;

    d. Restrict or hinder access to a Computer System.

SECTION II – DEFINITIONS, 36. PRIVACY OR SECURITY EVENT is deleted and replaced with the following:

36. **Privacy or Security Event** means:

    a. The actual or reasonably suspected theft, loss or unauthorized disclosure of or access to Personal Information in the care, custody or control of the Member or for

which the Member is legally responsible, regardless of whether such Personal Information is maintained in electronic, paper or any other format; or

b. A violation or failure of the security of a Computer System, including but not limited to unauthorized access, unauthorized use, a denial of service attack or receipt or transmission of malicious code.

c. A violation or failure of the security of a Computer System if perpetrated through the use of an AI System, including a Malicious Data Poisoning Event or Prompt Injection Attack.

Except that Privacy or Security Event does not include any:

a. Failure or termination of any core element of internet, telecommunications, or GPS infrastructure that results in a regional, countrywide, or global outage of such infrastructure;

b. Suspension, cancellation, revocation, or failure to renew any domain names, secure sockets layer certificates, or uniform resource locators;

c. Failure to adequately anticipate or capacity plan for normal and above operational demand for Computer Systems except where this demand is due to a denial of service attack;

d. Ordinary wear and tear, obsolescence, or gradual deterioration of the physical components of Computer Systems or Computer System software; or

e. Failure in the design, architecture, or configuration of Computer Systems.

Any Privacy or Security Event that is continuous or part of a series of repeated or related Privacy or Security Events will be considered to be a single Privacy or Security Event and will be considered to have commenced when the first such Privacy or Security Event commenced regardless of:

a. The number of individuals or entities engaged in such Privacy or Security Events;

b. The number of individuals or entities affected by such Privacy or Security Events;

c. The number of locations where such Privacy or Security Events occurred; or

d. The number of such Privacy or Security Events occurring or period of time over which they occur, even if subsequent Privacy or Security Events take place after the Coverage Document Period.

SECTION IV – EXCLUSIONS is amended to add:

23. Any failure of an AI System to perform the function or serve the purpose for which it is intended that is not the result of a Privacy or Security Event.

24. Any actual or alleged statements or representations concerning, relating to, or generated by an AI System.

25. The use of any cloud-based AI application, or the use of any AI System not under the ownership, control, or operation of the Named Member.