



June 6, 2006

Mr. Marcus Battle, Assistant Superintendent
Business & Operations
Travis Unified School District
2751 DeRonde Drive
Travis AFB, CA 94533

Subject: Vanden High School Modernization and Growth: Increment #2

Dear Mr. Battle:

The purpose of this letter is to bring to your attention contract provisions in the Vanden High School Modernization and Growth: Increment #2 General Conditions Document that do not comport with similar standards set forth by the Department of Insurance for insurance claims.

Specifically, Sections 24.1.2.2.1 and 24.1.2.2.2. of the General Conditions Document give the Surety seven days to provide written notice to the district's tender to the surety to take over and perform the contract, followed by another seven day period to begin performance of the contract. Seven days does not nearly provide sufficient time to evaluate the claim or to respond appropriately.

The fact that it takes more time to properly evaluate a claim has been acknowledged by the Department of Insurance in its Fair Claims Settlement Practices Regulations. Title 10, Chapter 5, Subchapter 7.5, Article 1, Section 2695.7 (b) specifically states:

"(b) Upon receiving proof of claim, every insurer, except as specified in subsection 2695.7(b)(4) below, shall immediately, but in no event more than forty (40) calendar days later, accept or deny the claim, in whole or in part. The amounts accepted or denied shall be clearly documented in the claim file unless the claim has been denied in its entirety."

For a surety to fully meet its contractual obligations it must have sufficient time to evaluate any claim before acting. Forcing a surety into such a short timeframe for review and to begin work on the project places the surety and the contractor in an untenable situation.

To ensure that due diligence is achieved and to protect the relationship between the school district, contractors and the surety, we urge you to alter this practice and provide a more realistic opportunity for a surety to meet its obligations.

Enclosed for your review is a copy of the Department of Insurance regulations dealing with "Fair Claims Settlement Practices." Also enclosed is a diagram showing the claims process.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul P. Gladfelty". The signature is stylized with a large initial "P" and a long horizontal stroke extending to the right.

Paul P. Gladfelty

Enclosures