



July 21, 2024

Dear 22 Station Owner,

At the June 26, 2024 22 Station Owners Association (22 Station) Board meeting, the Board approved the Philadelphia Insurance Company Property and Casualty (P&C) and General Liability (GL) insurance policies for 22 Station effective July 1, 2024.

The Philadelphia Insurance Company policies have terms that conform to the 22 Station CC&R's.

- Property & Casualty
 - Limit is \$100 million
 - Deductible is \$100,000
 - Premium for FY 2024-2025 is \$1.08 million
- General Liability
 - Limit is \$1.0 million
 - Annual premium: included with P&C

Postings of insurance information at www.22station.com/disclosures-pma and www.22station.com/insurance provide the requisite insurance disclosures, FAQ's, and a form to submit questions about insurance.

The Board is evaluating the impact of the actual insurance expense relative to budgeted expense, actual and potential changes in other budgeted expenses, and what changes in budget and assessments to make, if any. In May 2024, the Board established the budget for FY2024-2025 for the period July 1, 2024 to June 30, 2025. At that time, the Board increased assessments by 17%. Since 22 Station is a non-profit organization, each May, in planning for the next fiscal year, the Board has estimated future expenses based on historical trends and available information and authorized expenses and assessments levels to maintain a quality environment and breakeven. Last May, the FY2024-2025 Operating Budget included \$1.4 million for insurance. The actual annual accrual for insurance expense will be roughly \$900,000. This month, the Board received recommendations and cost estimates to remedy the leaks in the roofs. This month, the Board will also receive recommendations and cost estimates to upgrade the Common Areas. Also, our understanding is that Liberty Electric has filed for tariff increases, and the PUC may render a decision in the next month.

The Board will disclose any changes to the budget and assessments which the Board approves at a subsequent Board meeting.

Attached are insurance FAQ's, and the 22 Station Damage Loss Policy (www.22station.com/policies/) for your information. A copy of this notice is available at www.22station.com/communications.

Sincerely,

22 Station Board of Directors

Frequently Asked Questions (FAQ's) About Insurance

1. Why does 22 Station obtain property and casualty (P&C) insurance?

The 22 Station CC&R's provide that the Board shall obtain and maintain fire and casualty insurance for no less than the full value of the improvements.

2. Why did 22 Station select a P&C insurance policy from Philadelphia Insurance?

22 Station engaged a broker, Mamich Agency (formerly Kinser), to obtain proposals and quotes. 22 Station received proposals and quotes from three (3) carriers. Philadelphia Insurance provided the best combination of coverage and premium.

3. How does the Philadelphia Insurance P&C policy compare to the prior year's Vikco P&C policy?

The Philadelphia P&C policy provides a maximum of \$100 million of coverage. The deductible is \$100,000. The annual premium is \$1.08 million. The prior Vikco policy provided \$82 million of coverage with a 50,000 (\$100,000 for water damage) deductible and a \$1.6 million annual premium.

4. Did 22 Station's prior claims affect the Philadelphia Insurance Services P&C policy?

22 Station has had zero claims in the past two years. Claims history is available at www.22station.com/insurance

5. Did any claims affect other insurance policies?

22 Station has disclosed that 22 Station has been named as a defendant in a lawsuit. The lawsuit is entitled Caroline Vertongen and Tony Vertongen versus 22 Station Owners Association, The Village at Squaw Valley USA (which is PVNC), Tremigo Mexican Kitchen and Tequila Bar and Does 1-20. This complaint is available to the public and is filed with the Placer County Superior Court. The plaintiffs, the Vertongens, are alleging that noise and vibration is emanating from the fan and exhaust system of Tremigo. Our understanding the lawsuit has affected PVNC's D&O insurance premiums. Our understanding is 22 Station D&O insurance premiums have not been affected.

6. Who is Philadelphia Insurance Services? Is 22 Station in good hands?

Philadelphia Insurance is a traditional, admitted carrier. Philadelphia Insurance carries an AM Best rating currently of A++. An admitted insurance carrier is a company that has been approved by each state's insurance commissioner. Admitted insurance companies are licensed to operate by state insurance agencies. Admitted carriers must adhere to state regulations regarding policy forms, rate approvals, and claims handling.

7. Why didn't 22 Station obtain a property and casualty policy from Philadelphia insurance last year?

Last year, Vikco, a non-admitted, excess & surplus (E&S) insurance carrier was the only admitted or non-admitted carrier to propose to 22 Station. Excess and surplus (E&S) lines insurance refers to coverage for risks that are too high or too expensive for a traditional insurance company to take on. Non-admitted, E&S carriers, have greater flexibility but are not backed by the state. Last year, no admitted carrier offered a P&C policy to 22 Station.

8. What commission did 22 Station pay?

The commission was 6%. The customary commission is 10%. Brokers and insurance companies set the commission rate.

9. Is it possible to lower the annual premium with a full value P&C policy by having a higher deductible?

The deductibles with Philadelphia are higher or equal to the deductibles with Vikco.

10. Why is P&C insurance so expensive?

Over the past years, the insurance market has changed. Standard, admitted carriers (e.g., Farmers, Allstate, and State Farm) have withdrawn from the California market or from 22 Station's risk profile. Many of the remaining carriers and underwriters are declining to cover certain risk profiles. Numerous carriers declined 22 Station's risk profile, which reflects the diminished numbers of admitted carriers and risk appetite of the insurance market. The remaining carriers and underwriters in the market are demanding higher premiums for less or equivalent coverage.

11. Why did insurance carriers decline to quote?

The geographic area in which Village at Palisades Tahoe resides has an insurance wildfire score of 70. Most insurance carriers will not underwrite a property in areas greater than 50.

12. Can 22 Station lower its wildfire score?

No. The scores are set by geographic areas not by single properties. Insurance carriers do rely on industry reports of an individual property to assess individual property risks. 22 Station has taken measures to have the industry reports reflect the positive characteristics of the buildings.

13. Will insurance carriers exclude wildfire coverage when quoting a P&C policy?

The insurance carriers would not offer policies with wildfire risk excluded. Owners can send emails or letters to state and local representatives requesting changes in state insurance regulations. Letter templates and addresses are available at www.22station.com/insurance-lobby/.

14. What are the P&C policies and annual P&C premiums for comparable properties in the area?

Any property has its own risk profiles. 22 Station's outside legal counsel and accounting firm and other property management companies who have other HOA and commercial property clients in Northern California have communicated that \$1 million plus annual premiums have become the new normal for many of their clients.

15. What are First Ascent's annual premiums for P&C insurance?

Our understanding is that FY 2024-2025 First Ascent renewed a P&C policy from Vikco Insurance services for roughly \$80 million of coverage and roughly a \$1.55 million premium.

16. What efforts did 22 Station undertake to obtain P&C insurance and other insurance coverage?

22 Station engaged an insurance broker, Mamich Agency, who approached multiple underwriters. Many carriers have withdrawn from the California Property & Casualty market. Other carriers declined to propose because of 22 Station's replacement value and risk profile. Wildfire, short term rentals, and size of the coverage level (roughly \$100 million) were some of the reasons.

17. Why not self-insure and avoid the \$1.08 million?

The 22 Station CC&R's presume that 22 Station shall obtain P&C insurance. Insurance mitigates risk. Depending on one's appetite for risk, \$1.08 million may or may not be worth the risk mitigation. The advantage of self-insurance is lower or no P&C premiums, lower or no P&C insurance expense, and lower assessments. The possible negative consequences include, but are not limited to, Owners not satisfying their mortgage covenants, potential buyers not being able to attain mortgage financing, and in the event of a major damage event, special assessments which may or may not be opposed by a segment of Owners.

18. Did Mamich consider the California Fair Plan?

Yes. The California Fair Plan would not have provided an adequate or full value policy. Combining the California Fair Plan with additional coverages from other insurance carriers for achieve sufficient coverage was not commensurate with the Philadelphia Insurance admitted carrier policy.

19. Did the EV Charging Stations in Building 4 affect the risk profile?

Mamich indicated that this had no impact.

20. Will insurance expense increase or decrease year to year?

The Philadelphia Insurance policy terminates June 30, 2025. FY 2025–2026 insurance expenses are not known and difficult to predict. The Board conforms to the CC&R's insurance provisions.

21. What other consequences are there for 22 Station Owners?

The deductible is \$100,000. Some damage loss events may not be covered by 22 Station's P&C insurance policy. 22 Station Damage Loss Policy is available at www.22station.com/policies . The damage loss policy will apply the deductible of the policy in effect. Homeowners are encouraged to consult with an insurance advisor or broker about HO6 insurance for their Units.

22. Can Alterra/Palisades Tahoe Resort LLC provide P&C insurance coverage for 22 Station property?

Palisades Tahoe was asked if its insurance policies could be extended to provide P&C coverage for 22 Station's property. The answer was negative. Since Palisades through assessments directly or indirectly contributes roughly \$400,000 toward First Ascent's and 22 Station's P&C insurance expense, and have a financial incentive to have 22 Station and First Ascent have lower insurance expenses, Palisades has been asked again to see what is possible. Palisades has no obligation to provide insurance coverage for 22 Station. 22 Station owns the Common Areas in Buildings 4 and 5 and is responsible for arranging insurance. Palisades Tahoe and the Residential Unit Owners own their Commercial Units and Residential Units, respectively and arrange separate insurance for their properties.

23. Why can't Palisades Tahoe's commercial P&C policies also provide coverage for 22 Station's properties.

Palisades Tahoe's commercial insurance carrier's P&C policy provides coverage for properties that Palisades Tahoe owns. For many reasons, 22 Station has been told that commercial carriers do not extend coverage to properties owned by third parties. While Palisades Tahoe owns the Commercial Units, Palisades Tahoe does not own the entirety of the Building 4 and 5 properties. The CC&R's provide that 22 Station owns the Common Areas. Commercial Unit Owners and Residential Unit Owners own their Units. Regardless, 22 Station has asked Palisades Tahoe to pursue with its commercial insurance carrier extending coverage to 22 Station which Palisades says it will do.

24. Can 22 Station levy higher assessments for the Commercial Units for insurance and other expenses and reduce assessments for the Residential Units?

Amending the CC&R's and changing the manner in which assessments are levied requires the consent of a supermajority or 75% of all Owners. One Unit has one vote. There are 151 Residential Units and 55 Commercial Units. The Commercial Units represent 26% of all the Units.

25. Will assessments change?

Each May, 22 Station estimates expenses based on available information for the next fiscal year (July 1 – June 30) and establishes assessment levels to breakeven. Throughout the fiscal year, as information becomes available, 22 Station assesses actual expenses, known future expenses, and known future planned expenses and re-sets assessment levels as appropriate or necessary.

26. What happens if 22 Station ends FY 2024-2024 in June 2025 with a deficit?

The deficit would be applied to and deplete equity. If a threshold level of equity is not maintained, 22 Station's contingency fund, aka rainy-day fund will be depleted. 22 Station current equity is roughly \$250,000.

27. What happens if 22 Station ends FY 2024-2025 in June 2025 with a surplus?

The surplus would be applied to and replenish/increase equity. Equity is 22 Station's rainy-day fund. Equity in the past few years has declined from roughly \$300,000 to \$250,000.

Alternatively, 22 Station can issue a dividend.

Unit Property Damage and Loss Policy

Recitals
Adopted April 15, 2020

- a. 22 Station Owners Association, Inc. ("HOA") is responsible for the Common Area, including maintenance and repair.
- b. HOA is not responsible when Homeowner Unit property damage and loss occurs even if the cause stems from the Common Area for which HOA is responsible when HOA is not negligent.
- c. HOA is required to have property and casualty ("P&C") insurance for the entire property and currently has a P&C policy with Farmers insurance with \$68.5 million of coverage and a \$5,000 deductible. [Out of date]
- d. HOA is a conduit and administrator for funds from Farmers insurance to vendors who provide remediation and repair services for the benefit of HOA, Homeowners, Commercial Owners, and Commercial Property Lessees. HOA is not responsible for the negligence of service providers. Service providers are required to have insurance.
- e. Homeowners, to manage risk prudently, should, and are expected to, have HO-6 insurance. Homeowners and Commercial Owners who rent/lease their Units may also need landlord insurance. Commercial Property Lessees should also have insurance.

NOW, THEREFORE, HOA hereby adopts the following 22 Station Property Damage and Loss Policy.

- (a) Owner Responsible for Loss. Except with respect to insurance for earthquake damage, an Owner responsible for causing an insurable loss (by either the Owner's acts and/or the acts of Owner's family members, contract purchasers, tenants, guests, or invitees or as a result of a defective condition within the Owner's Unit), shall be obligated to contribute the Owner's proportional share of the insurance deductible, if any, corresponding to the insurance covering the loss. The proportional share of each Owner responsible for causing the insurable loss under this policy shall be based upon the ratio that the responsibility of each Owner responsible for causing the insurable loss bears to the total responsibility of all Owners responsible for causing the insurable loss.

(b) No Owner Responsible for Loss. If the insurable loss is not caused by the act or omission of any Owner (or the acts or omissions of the Owner's family members, contract purchasers, tenants, guests, or invitees), the deductible shall be paid by each Owner in proportion to the amount the insurable loss suffered by his or her Unit bears to the total insurable loss of all Owners resulting from the same event.

(c) Earthquake Damage. With respect to a loss covered by earthquake insurance, if any, all Owners shall be obligated to contribute his or her proportionate share of the insurance deductible whether or not that Owner's Unit and/or Building suffered damage.

(d) Failure to Pay Deductible. If, within thirty (30) days of notice by the Association to an Owner regarding that Owner's proportionate share under Subsection (a), (b) or (c) of this policy, any Owner fails or refuses to pay his or her proportionate share, the Board may levy a Default Assessment against the Unit of such Owner, which may be enforced under the lien provisions contained in the CC&Rs.

(e) Objection to Payment of Deductible. Within fifteen (15) days of the date that the notice to the Owner of his or her share of the liability is mailed, any Owner may contest the amount of his or her proportionate liability under Subsections (a), (b) or (c) of this policy by submitting to the Board written objections supported by cost estimates or other information that the Owner deems to be material. Upon receipt of said written objections, the Board shall set a hearing date on the matter. Following such hearing, the Board shall give written notice of its decision to all affected Owners, including any recommendation that adjustments be made with respect to the liability of any Owner(s). The Board's decision shall be final and binding.