

Frequently Asked Questions (FAQ's) About Insurance

1. Did Farmers decline to renew because of 22 Station's claims history?

No. Farmers exited this segment of the market. 22 Station's claims history with Farmers is available at www.22station.com/insurance

2. Did Starr Insurance decline to renew and quote because of 22 Station's claims history with Starr?

No, Starr was 22 Station's P&C insurance carrier from July 1, 2022 to August 1 2023. 22 Station has no claims during that period. 22 Station's lack of claims documentation with Starr is available at www.22station.com/insurance. Last April, Starr sent a conditional non-renewal notice so that Starr could offer a policy with new terms. In June, Starr declined to offer coverage because of Starr's underwrite took a different position on wildfire risk and extended the existing policy for one month.

3. How does the Vikco Insurance Services P&C policy compare to the prior Starr P&C policy?

The Vikco P&C policy provides a maximum of \$82 million of coverage. The deductible is \$50,000 (\$100,000 for water damage). The premium is \$1.41 million. The prior Starr policy provided \$75 million of coverage with a \$10,000 deductible and a \$174,000 annual premium.

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

The additional deductible amount (\$100,000 for water damage) reflects 22 Station's prior claim history with Farmers.

5. Did any claims affect any 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. The lawsuit did lead to higher premiums for 22 Station D&O insurance and PVNC liability insurance.

6. Why did 22 Station select the Vikco Insurance Services P&C policy?

On July 20, 2023, 22 Station received the Vikco Insurance Services P&C policy proposal. This was the only quote/offer and "full value" P&C policy that 22 Station received

7. Who is Vikco Insurance Services? Is 22 Station in good hands?

Vikco partners with QBE Specialty Insurance Company. QBE is the actual carrier/underwriter. QBE carries an AM Best rating currently of a+.

8. Did 22 Station pay a commission to the insurance broker?

No. The insurance broker and Vikco have an independent broker/carrier arrangement.

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

Vikco set the deductible amount and would not offer a higher deductible. The other carriers that declined to quote did not consider levels of deductibles.

10. Why have 22 Station's P&C annual premiums spiked from \$58,000 to \$174,000, to \$1.41 million?

Over the past years, the insurance market has changed. Standard carriers (e.g., Farmers, Allstate, and State Farm) have withdrawn from the California market or from 22 Station's risk profile. Starr is an Excess and Surplus specialty carrier that insures risks that standard carriers won't. Starr provided coverage for 22 Station last year, but declined/withdrew this year. Many of the remaining carriers and underwriters are declining to cover certain risk profiles. In 2022 and 2023, about 60 and 20 carriers declined 22 Station's risk profile, respectively, which reflects the diminished numbers and risk appetite of the insurance market. The remaining carriers and underwriters in the market are demanding higher premiums for less 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 is taking 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.

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. We don't have any actual information. Our outside legal counsel and accounting firm who have other HOA and commercial property clients 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 in FY 2022-2023 First Ascent had a P&C policy with \$25 million of coverage and a \$900,000 annual premium. In FY 2022-2023, 22 Station was fortunate to obtain a policy with Starr insurance for \$75 million of coverage and a \$174,000 premium. In FY 2023-2024, First Ascent was offered only one policy that conforms to the CC&R's. That P&C policy is from Vikco Insurance services for \$79 million of coverage and roughly a \$1.4 million premium. 22 Station's FY 2023-2024 P&C policy from Vikco is for \$82 million of coverage and a \$1.41 million premium.

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

22 Station engaged an insurance broker who approached multiple underwriters. Vikco Insurance Services Company was the only carrier to propose a full value Property and Casualty policy. 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 (\$82 million) were some of the reasons.

17. Who is 22 Station's insurance broker? Why have only one broker?

Kinser Insurance Agency. Kinser is 22 Station's lead broker. Kinser works with other brokers/intermediaries and other carriers to obtain policy quotes. This year, Kinser approached at least 20 carriers and worked with 5 other brokerages.

18. Why does 22 Station need Property & Casualty insurance? Why not self-insure and avoid the \$1.41 million?

Insurance mitigates risk. Depending on one's appetite for risk, \$1.41 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. Also, because of the insurance provisions of the 22 Station CC&R's amending the CC&R's may be necessary to self-insure.

19. Did Kinser consider the California Fair Plan?

Yes. The California Fair Plan would not have provided an adequate or full value policy.

20. Did 22 Station's plans to install and operate EV Charging Stations in Building 4 affect the risk profile?

Kinser indicated that this had no impact.

21. Will insurance expense continue to increase year to year? Will assessments increase?

The Vikco policy terminates June 30, 2024. FY 2024–2025 insurance expenses are not known and difficult to predict. The Board conforms to the CC&R's insurance terms and matches assessments to expenses.

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

The deductible is \$50,000 (\$100,000 for water damage). 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 may want to consult with an insurance advisor or broker about HO6 insurance for their Units.

23. 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. With the high deductible of the Vikco policy, Owners are encouraged to consult an insurance advisor and consider HO6 insurance.

24. 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.

25. 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.

26. Why is the Board levying an Emergency Regular Assessment increase?

The Board levied an Emergency Regular Assessment increase because of the unforeseen and unanticipated levels of insurance expense. 22 Station had between July 20 and, from receiving the Vikco offer to having P&C coverage in place starting August 1.

27. How much did 22 Station raise assessments because of insurance?

Fiscal year 2023-2024 total assessments increased \$1.0 million. The assessment increase amounts and calculations by Unit Type and Number of Units that total to \$1.0 million are available at www.22station.com/townhall-insurance. Projected insurance expense for the fiscal year is \$1.5 million. Difference is the prior budgeted amount for insurance and the billing of a portion of the insurance expense to PVNC and Palisades Tahoe.

28. Why increase assessments now?

When establishing the FY 2023-2024 budget in May 2023 and assessments, the future property and casualty insurance policy and carrier were not known. The actual insurance expenses greatly exceed the May 2023 budget estimates. Assessments need to increase now to match more closely revenue with expenses and collect cash to pay expenses as incurred.

29. What may happen if 22 Station does not increase assessments?

If expenses greatly exceed assessment inflows, 22 Station will have cash flow difficulties. Cash from assessments will be insufficient to pay the bills or meet other cash obligations.

30. What is the duration of this Emergency Regular Assessment increase?

The increase in regular assessment will raise the total FY 2023-2024 regular assessment. In May, the budget for FY 2024-2025 will set the total regular assessments based on the expenses for the next fiscal year.

31. What happens if 22 Station ends FY 2022-2023 in June 2023 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.

32. What happens if 22 Station ends FY 2022-2023 in June 2023 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.

33. Will regular assessments increase in FY 2024-2025?

Each May, the Board establishes the budget including assessments and expenses for the coming fiscal year based on the available information.