

Dear 22 Station Owner,

The 22 Station Owners Association Inc. Board will have a meeting at 9:am PDT, Monday, July 31, 2023.

**22 STATION OWNERS ASSOCIATION
NOTICE AND AGENDA OF DIRECTORS MEETING**

Monday, July 31, 2023 @ 9:00am PDT

***Remote and on- site location offered.
1750 Village East Rd., Olympic Valley, CA – PT Offices Behind Front Desk***

Join Zoom Meeting

<https://zoom.us/j/93233456370?pwd=amdINfZjY0ZmTGJFMUNaS1hITG90UT09>

Meeting ID: 932 3345 6370

Passcode: 944122

Dial in: 669 444 9171

The meeting agenda is available at the 22 Station website: www.22station.com/agendas-minutes/

At the meeting, the 22 Station Board intends to consider and vote on a motion to transfer temporarily \$1 million from the 22 Station Reserve Account to 22 Station's Operating account.

At the July 25, 2023 22 Station Owners Association (22 Station) Board meeting, the Board approved the Vicko Insurance Services Company and Burlington Insurance Company Property and Casualty (P&C) and General Liability (GL) insurance policies, respectively, for 22 Station effective August 1, 2023, and July 1, 2023, respectively.

The Vicko and Burlington policies have these terms.

- Property & Casualty
 - Limit is \$82.7 million
 - Deductible is \$50,000 (\$100,000 for water damage)
 - Premium for FY 2023-2024 is \$1,412,000
- General Liability
 - Limit is \$1.0 million
 - Deductible is \$5,000
 - Annual premium is \$10,965

22 Station has also obtained D&O and Excess Liability insurance. Crime insurance policy is already in place. In May 2023, the annual disclosure did not include this information as Starr Insurance Company the P&C underwriter for FY 2022-2023 did not renew and replacement policies were not in place.

Vicko Insurance Services Company was the only carrier to propose a P&C policy to 22 Station. Starr Insurance was 22 Station's Property and Casualty insurance carrier during FY 2022-23 after Farmer Insurance, 22 Station's P&C carrier for many years declined to renew. Annual Premiums with Farmers were about \$58,000. The Annual Premium with Starr was \$174,000. Last April, 22 Station received a customary non-renewal notice as Starr Insurance went through the process of determining new terms to underwrite a policy for 22 Station based on replacement value and its risk profile. In late June, Starr declined to offer a new policy and extended the existing policy for one month through July during which 22 Station's broker approached alternative carriers for P&C insurance. Other carriers have also declined to offer 22 Station a P&C policy. Only one carrier, Vicko Insurance Services Company provided a proposal for Property and Casualty insurance to 22 Station for 22 Station to accept.

The Vicko 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.

Future correspondence/postings at www.22station.com/disclosures-pma/ will provide any requisite insurance disclosures.

At the July 25, 2023 Board meeting, the Board also passed a resolution to levy an Emergency Regular Assessment increase of \$1,000,000 for FY 2023-2024. The actual resolution is included in this correspondence. This emergency increase in regular assessments is in response to unforeseen and unanticipated levels of insurance expenses, since the FY2023-2024 budget was established. The increase matches assessments with expenses. The statement you will receive in September 2023 will reflect the new assessment amount. The prospective regular assessment amounts are included in this correspondence.

In May 2023, the Board established the budget for FY2023-2024 which started July 1, 2023 and ends June 30, 2024. At that time, the Board increased assessments by 14%. Since 22 Station is a non-profit organization, each May in planning for the next fiscal year, the Board has authorized expenses to maintain a quality environment, estimated future expenses based on historical trends and available information, and maintained or increased assessments levels annually to breakeven. Historically, 22 Station has ended each fiscal year with a surplus or a small deficit as nature, market forces, and planned and unplanned events coincided to yield total incurred expenses close to the budget estimate. In FY 2021-2022, because of unforeseen and extraordinary increases in electricity and gas expenses and in FY 2022-2023 because of unforeseen and extraordinary increases in snow removal and insurance, an off-cycle regular assessment increase or a special assessment was necessary to achieve a surplus or tolerable deficit at the end of the fiscal year.

An annual P&C insurance premium of \$1.41 million is extraordinary and was not known in May 2023. An increase in assessments is necessary to match revenue with expenses. Insurance expense was \$58,000, \$58,000, and \$178,000 in FY 2020-2021, FY 2021-2022, and FY 2022-2023, respectively. The budget estimate for this fiscal year, 2023-2024 was \$250,000. The Vicko \$1.41 million premium greatly exceeds budget.

The Vicko \$1.41 million premium payable is due in August 2023 and exceeds 22 Station's operating cash balances and anticipated cash flow. 22 Station's only source of cash is assessments less cash expenses. 22 Station cannot collect sufficient assessments even with the increase in assessments in time to meet the Vicko premium payable terms. After applying 22 Station's available operating cash, 22 Station will have a \$1.21 million shortfall. At the July 31, Board meeting, the Board plans to authorize and potentially cause a temporary transfer of \$1.21 million from the 22 Station Reserve Account to 22 Station's Operating account to meet the Vicko premium payable terms. During the next year, the operating surplus from the recently established assessment levels less cash expenses would be used to transfer the \$1.21 million from the Operating account back to the Reserve Account. At this time with the estimated projected prospective cash expenses, the Board does not envisage the need for a prospective Special Assessment or another increase in assessments in this fiscal year. Alternatively, the Board also plans to open a line of credit with Morgan Stanley in the amount of roughly \$2.7 million. The Board plans to use the transfer of funds from the Reserve Account or drawing funds from the line of credit or a combination of both to meet the insurance payment cash flow requirements.

Attached are 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.station.com/communications

Sincerely,

22 Station Board of Directors

22 STATION OWNERS ASSOCIATION, INC.

BOARD RESOLUTION

Whereas, the Association held a Board Meeting on July 25, 2023 that included a discussion about the issue of an increase in the Association's property and casualty insurance premium.

Whereas, when the Board was adopting the Association's July 1, 2023 – June 30, 2024 budget in May 2023, the Board had no reason to believe that there might be an increase in the Association's insurance premium of over \$1 million, which would result in a budget deficit.

Whereas, the amount of the insurance premium is now known. The current property and casualty policy provides \$75 million of coverage with a \$10,000 deductible and a \$174,000 annual premium. The new policy provides a maximum of \$82 million of coverage with a \$50,000 (\$100,000 for water damage) deductible and a \$1.41 million annual premium.

Whereas, the Association's estimated budget deficit is \$1,000,000, and in order to cover the budget deficit, the Association needs to increase the regular assessment a total amount of \$1 million, which equates to an increase of the regular assessment on each of the units as set forth in the chart below, which is an increase in the regular assessment that is more than 20% greater than the regular assessment for the Association's preceding fiscal year.

Whereas, the budget deficit of \$1,000,000 could not have been reasonably foreseeable by the Board when it adopted the Association's budget in May 2023 as the Board was not informed of the insurance premium increase until late-July 2023.

Whereas, State law at Civil Code Section 5610 provides that the Board may impose an increase in the regular assessment that is more than 20% greater than the regular assessment for the Association's preceding fiscal year without a vote of the owners for emergency situations regarding an extraordinary expense necessary to repair or maintain the 22 Station common interest development or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the annual budget report for the fiscal year beginning July 1, 2023 pursuant to Civil Code Section 5300.

Whereas, the Board has reasonably determined that the budget deficit of \$1,000,000 not being reasonably foreseeable by the Board when it adopted the Association's budget in May 2023, as it was directly due to the fact that the Board was not informed until late-July 2023 that its property and casualty insurance premium would increase, constitutes an emergency situation regarding an extraordinary expense necessary to repair or maintain the 22 Station common interest development or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the annual budget report for the fiscal year beginning July 1, 2023 pursuant to Civil Code Section 5300.

Whereas, the Board has reasonably determined that an increase in the regular assessment of a total amount of \$1 million, which equates to an increase of the regular assessment on each of the units as set forth in the chart below, needs to be imposed, with owners to be sent a written notice of the imposition of the regular assessment increase at least thirty (30) days in advance of the due date.

Resolved, the Association held a Board Meeting on July 25, 2023 that included a discussion about the issue of an increase in the Association's property and casualty insurance premium.

Resolved, the Board hereby finds that an increase in the regular assessment of a total amount of \$1 million, which equates to an increase of the regular assessment on each of the units as set forth in the chart below, is needed on an emergency basis, and State law authorizes the Board to have the Association impose the regular assessment increase based on the following factors:

1. When the Board was adopting the Association's July 1, 2023 – June 30, 2024 budget in May 2023, the Board had no reason to believe that there might be an increase in the Association's insurance premium of over \$1 million, which would result in a budget deficit.

2. The amount of the new insurance premium is now known. The current property and casualty policy provides \$75 million of coverage with a \$10,000 deductible and a \$174,000 annual premium. The new policy provides a maximum of \$82 million of coverage with a \$50,000 (\$100,000 for water damage) deductible, and a premium \$1.41 million.

3. The Association's budget deficit is \$1,000,000, and in order to cover the budget deficit, the Association needs to increase the regular assessment a total amount of \$1 million, which equates to an increase of the regular assessment on each of the units as set forth in the chart below, which is an increase in the regular assessment that is more than 20% greater than the Association's regular assessment for the preceding fiscal year.

4. The budget deficit of \$1,000,000 could not have been reasonably foreseeable by the Board when it adopted the Association's budget in May 2023 as the Board was not informed of the premium increase until late-June 2023.

5. State law at Civil Code Section 5610 provides that the Board may impose an increase in the regular assessment that is more than 20% greater than the Association's regular assessment for the preceding fiscal year without a vote of the owners for emergency situations regarding an extraordinary expense necessary to repair or maintain the 22 Station common interest development or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the annual budget report for the fiscal year beginning July 1, 2023 pursuant to Civil Code Section 5300.

6. The Board has reasonably determined that the budget deficit of \$1,000,000 not being reasonably foreseeable by the Board when it adopted the Association's budget in May 2023, as it was directly due to the fact that the Board was not informed until late-June 2023 that its property and casualty insurance premium would increase, constitutes an emergency situation regarding an extraordinary expense necessary to repair or maintain the 22 Station common interest development or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the annual budget report for the fiscal year beginning July 1, 2023 pursuant to Civil Code Section 5300.

Resolved that to meet the unforeseen and unanticipated higher levels of insurance expense obligations in FY 2023-2024, the Board levies an Emergency Regular Assessment increase of \$1,000,000.

	September 2023 Assessment	December 2023 Assessment	March 2024 Assessment
STUDIO	\$5,554.03	\$4,247.11	\$4,247.11
1 BR	\$5,483.77	\$4,193.43	\$4,193.43
2 BR	\$6,201.95	\$4,742.23	\$4,742.23
3 BR	\$7,815.74	\$5,973.66	\$5,973.66
PH	\$9,613.12	\$7,345.77	\$7,345.77
COMML	\$3,375.52	\$2,758.44	\$2,758.44

Dated: __July 27, 2023

By President of the Board of Directors



(sign name)

Arthur Chiang

(print name)

Frequently Asked Questions (FAQ's) About Insurance

1. Why did Starr Insurance decline to renew the 22 Station Property and Casualty (P&C) policy?

During the term of the policy with Starr, 22 Station filed no claims. Our understanding is that 22 Station received a customary non-renewal notice in April as Starr Insurance went through the process of determining new terms to underwrite a policy for 22 Station based on replacement value and its risk profile. In late June, Starr declined to offer a policy and extended the existing policy for one month.

2. How does the Vicko P&C policy compare to the prior Starr P&C policy?

The Vicko 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.

3. Why is the Vicko annual premium so high?

Very few, if any, carriers are willing to underwrite 22 Station's replacement value and risk profile. Those carriers who might contemplate underwriting 22 Station's replacement value and risk profile are demanding high premiums. Conversations with 22 Station's accounting company and attorney indicate that other properties and HOA's (their clients) are facing similar insurance challenges.

4. 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. Vicko Insurance Services Company was the only carrier to propose a 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.

5. 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. Self-insurance could have other consequences. Also, 22 Station's insurance policies conform to the CC&R's, and the 22 Station CC&R's terms for insurance limit the Board's discretion. The Board is considering starting the process to amend the CC&R's insurance terms.

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

The Vicko 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.

7. 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 insurance policy. Attached is the 22 Station Damage Loss Policy which does not reflect this higher deductible. The 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.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

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.

The meeting agenda is available at the 22 Station website: www.22station.com/agendas-minutes/
A copy of the draft 22 Station Board July 25 2023 meeting minutes is available at the 22 Station website: www.22station.com/agendas-minutes/






22 Station Owner Letter Insurance and Assessment Increase

Final Audit Report

2023-07-28

Created:	2023-07-28
By:	Stacia Lange (stacialange@palisadestahoe.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAMHTAVx_6cmOV_kB6_Pcq060SyzK6-q8b

"22 Station Owner Letter Insurance and Assessment Increase" History

-  Document created by Stacia Lange (stacialange@palisadestahoe.com)
2023-07-28 - 0:24:53 AM GMT
-  Document emailed to Arthur Chiang (almchia@gmail.com) for signature
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-  Document e-signed by Arthur Chiang (almchia@gmail.com)
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