



P.O. Box 2635
Olympic Valley, CA 96146

July 1, 2022

Dear Homeowner

The 22 Station Board is pleased to inform Homeowners that the Starr Insurance Companies and Burlington Insurance Company have underwritten Property and Casualty (P&C) and General Liability (GL) insurance policies, respectively, for 22 Station effective July 1, 2022. Farmers Insurance had previously underwritten P&C, GL, and other policies for 22 Station and declined to renew.

The Starr and Burlington policies have these terms.

- Property & Casualty
 - Limit is \$75 million
 - Deductible is \$10,000
- General Liability
 - Limit is \$1.0 million
 - Deductible is \$5,000

22 Station has also obtained D&O and Excess Liability insurance. Crime insurance policy is already in place.

In May 2022, the annual disclosure did not include this information as Farmers declined to renew and replacement policies were not in place. Future correspondence will provide the requisite insurance disclosures.

Attached are FAQ's and the 22 Station Damage Loss Policy for your information.

Sincerely,

22 Station Board of Directors

Frequently Asked Questions (FAQ's) About Insurance

1. Why did Farmers Insurance decline to renew the 22 Station Property and Casualty (P&C) and other insurance policies?

Farmers non-renewal decision was not unique to 22 Station. Farmers also did not renew the First Ascent and Palisades Village Neighborhood Company policies. Our understanding is that Farmers decided to withdraw from the insurance markets that represent 22 Station's risk profile.
2. What efforts did 22 Station undertake to obtain P&C insurance and other insurance coverage? Do these policies provide sufficient coverage at the best price?

22 Station engaged multiple insurance brokers. The brokers approached over 50 insurance companies who declined to underwrite. Wildfire, short term rentals, and size of the desired coverage (\$75 million) were some of the reasons. Many insurance companies do not want any wildfire risk exposure or will not underwrite wildfire risk exposure greater than \$2 million or \$3 million per policy. Starr Insurance Company was the only insurer that would quote and underwrite 22 Station's total P&C risk.
3. How does the Starr P&C policy compare to the prior Farmers P&C policy?

The Starr P&C policy provides a maximum of \$75 million of coverage. The deductible is \$10,000. The prior Farmers policy provided \$75 million of coverage and a \$5,000 deductible.
4. What is the cost of the insurance? Will assessments increase?

In FY 2023-2023 (July 1, 2022 through June 30, 2023), the annual premium for P&C insurance will be roughly \$192,000. Total insurance expense will be roughly \$220,000. The FY2022-2023 budget anticipated an insurance expense of roughly \$140,000 versus the FY2021-2022 actual insurance expense of approximately \$65,000. A portion of 22 Station's annual insurance expense is allocated to the garages – P1 and P2 -- and paid from the 22 Station Garage Account which is funded by Palisades Village Neighborhood Company (PVNC) and Palisades Tahoe Resort (PTR). The remaining 22 Station annual insurance is about \$15,000 greater than the anticipated annual budgeted expense. Depending on operating expenses during fiscal year and changes in vendor pricing (e.g., Liberty Electric tariffs and Amerigas propane), the Board may have to increase assessments.
5. What other consequences are there for 22 Station Owners?

The deductible is higher than before. Attached is the 22 Station Damage Loss Policy. Homeowners may want to consult with an insurance advisor or broker about HO6 insurance for their Units.

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.
- 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.