



22 Station Town Hall

Property & Casualty Insurance
Parking

September 6, 2023

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This document is meant to be reviewed with the accompanying oral commentary. Without the accompanying oral commentary, readers may not obtain a complete understanding of material in this document.

Introduction

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- In late July, 22 at the 11th hour, Station received and accepted a P&C policy for FY 2023-24 with which provides a maximum of \$82 million of “full value” coverage. The deductible is \$50,000 (\$100,000 for water damage). The premium for FY 2023-2024 is \$1.41 million.
- 22 Station Board also increased assessments by \$1 million for FY 2023-24 to match fiscal year assessments with expenses.
- The Board is considering P&C insurance alternatives for the remainder of FY 2023-24 and afterwards.
- 22 Station and PVNC are considering plans to change parking operations to generate revenue from 3rd parties to offset expenses/lower assessments.
- Purpose of Town Hall
 - Inform Owners of the Current Insurance Situation and Plans under Consideration
 - Inform Owners of Parking Plans under Consideration
 - Exchange of Owner Viewpoints
- Town Hall Meeting Protocols
 - During presentations no interruptions
 - Everybody except presenter will be muted.
 - Submit questions online at www.22station.com/townhall-insurance/ or www.22station.com/townhall-parking/
 - During Owner Comments :
 - Only one speaker at a time; all others will be muted.
 - To speak, “raise hand”, be recognized, and unmuted
 - Speaking time will be limited to 3 minutes.
 - After all Owners who wish to comment have spoken, an Owner can be recognized to speak again.

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22 Station CC&R's Have Provisions for P&C insurance

- Section 12.03: **“The Association shall obtain and maintain** a master or blanket policy of fire and casualty insurance coverage for **no less than the full insurable value** of all of the Improvements. The form, content, and term of the policy and its endorsements and the issuing company **must be satisfactory to all Institutional Mortgagees**. If Units are encumbered by Mortgages from different Institutional Mortgagees, then the policy, endorsements, and issuing company **shall meet the maximum or strictest standards of the various Institutional Mortgagees** represented in the Condominium Project.”
- Each second quarter of the calendar year and last quarter of the fiscal year, (April 1 – June 30), 22 Station seeks to renew the existing P&C policy for the next fiscal year or obtain a new P&C policy for the lowest premiums that conforms to the CC&R's.

22 Station Current Property & Casualty Policy

Terms	Vikco/QBE	Starr	Farmers
Underwriter	<ul style="list-style-type: none">Vikco Insurance Services is the program insurerQBE Specialty Insurance is the carrierQBE has a Best rating of a+	<ul style="list-style-type: none">Starr Insurance Company	<ul style="list-style-type: none">Farmers Insurance
Maximum Value	<ul style="list-style-type: none">\$82 million	<ul style="list-style-type: none">\$78 million	<ul style="list-style-type: none">\$75 million
Deductible	<ul style="list-style-type: none">\$50,000 (\$100,000 for water damage)	<ul style="list-style-type: none">\$10,000	<ul style="list-style-type: none">\$5,000
Term	<ul style="list-style-type: none">August 1, 2023 to July 1, 2024	<ul style="list-style-type: none">July 1, 2022 to July 1, 2023	<ul style="list-style-type: none">Annually prior to July 1, 2022
Premium	<ul style="list-style-type: none">\$1.5 million annual premium\$1.4 million for period of August 1, 2023 to July 1, 2024	<ul style="list-style-type: none">~\$178,000	<ul style="list-style-type: none">~\$58,000
Minimum Earned Premium	<ul style="list-style-type: none">50% of the Annual PremiumMid-January		
Cancellation	<ul style="list-style-type: none">Roughly 10% of the Annual Premium or \$146,000		

22 Station P&C Insurance History and Current Situation

22 Station

Time Period	Insurance
Pre July 1, 2022	<ul style="list-style-type: none"> Farmers Full Value Policy (~\$75 million) ~\$58,000 annually, \$5,000 deductible
April 2022	<ul style="list-style-type: none"> Farmers declines to renew, term ends July 1, 2022
May – June 2022	<ul style="list-style-type: none"> 60 plus carriers decline to offer P&C to 22 Station
June 30, 2022	<ul style="list-style-type: none"> Starr Insurance P&C Full Value Policy ~\$178,000 annually, \$10,000 deductible
April 11, 2023	<ul style="list-style-type: none"> Conditional non renewal notice from Starr
April – June 2023	<ul style="list-style-type: none"> 20 plus carriers decline to offer P&C to 22 Station
June 20, 2023	<ul style="list-style-type: none"> Starr declines to offer full value policy with new terms. Offer one month extension until August 1, 2023
July 18, 2023	<ul style="list-style-type: none"> Vikco offers full value P&C policy (\$82 million) ~\$1.4 million for FY24, \$50,000 deductible (\$100,000 for water)
July 19, 2023	<ul style="list-style-type: none"> Other carriers with partial value offers, indicate but will not quote, unless 22 Station declines Vikco offer
July 25, 2023	<ul style="list-style-type: none"> Board approves the Vikco Policy
July 31, 2023	<ul style="list-style-type: none"> Board approves temporary transfer from Reserve Account to pay premium

First Ascent

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Time Period	Insurance
Pre July 1, 2022	<ul style="list-style-type: none"> Farmers Full Value Policy (~\$75 million) ~\$58,000 annually, \$5,000 deductible
April 2022	<ul style="list-style-type: none"> Farmers declines to renew
May – June 2022	<ul style="list-style-type: none"> 60 plus carriers decline to offer P&C to First Ascent
June 30, 2022	<ul style="list-style-type: none"> RT Insurance P&C Partial Value Policy (\$25 mm) ~\$975,000 annually, \$28K/\$250K deductible
July 2022 to June 2023	<ul style="list-style-type: none"> Engage consultant for \$20,000 Form Insurance Committee Considered 30 different brokers, engaged 5, received proposals from three brokers
April – June 2023	<ul style="list-style-type: none"> 20 plus carriers decline to offer P&C
July 1, 2023	<ul style="list-style-type: none"> Receives One (1) full policy and Two (2) partial value policy quotes <ul style="list-style-type: none"> Vikco Full Value (\$80 million), \$1.4 million premium, \$50,000 deductible Partial Value (\$10million), \$800,000 premium, \$100K/\$250K, deductible Partial Value (\$20million), \$1.3 million premium, \$100K/\$250K, deductible
July 7, 2023	<ul style="list-style-type: none"> Board accepts Vikco Full Value Policy effective July 11

22 Station P&C Policy Prospective Alternatives After Mid-January 2024

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Alternatives	Actual/Possible Benefits	Actual/Possible Negative Consequences
1. Full Value Policy -- Maintain Vikco	<ul style="list-style-type: none"> • Conforms to CC&R's • Full Value Coverage - \$82 million 	<ul style="list-style-type: none"> • After January 2022, Monthly Premium of \$127,000, annual premium of \$1.5 million and maintaining higher assessments
2. Partial Value Policy -- Cancel Vikco Full Value Policy and Purchase Partial Value Policy	<ul style="list-style-type: none"> • Vikco Cancellation Penalty • Maximum Coverage of \$5 million or \$10 million • Annual Premiums of \$760,000 or \$1.1 million, respectively, as of July 2023 • Lower premiums and lower assessments 	<ul style="list-style-type: none"> • Owners not satisfying their mortgage covenants • Potential buyers not being able to obtain mortgage financing
3. Self-insure -- Cancel Vikco Full Value Policy	<ul style="list-style-type: none"> • Vikco Cancellation Penalty • No premiums and lower assessments 	<ul style="list-style-type: none"> • Owners not satisfying their mortgage covenants • Potential buyers not being able to obtain mortgage financing • General Liability (and Umbrella) Insurance not available or more costly • In the event of a major damage event, special assessments
Palisades Tahoe P&C Insurance Extends To 22 Station	<ul style="list-style-type: none"> • Full Value Coverage • Lower expense 	<ul style="list-style-type: none"> • Palisades' commercial insurance carrier or Palisades unwilling • Unknown

Having a (2) Partial Value Policy or (3) Self-Insurance May Not Conform to the CC&R's Section 12.03 and May or May Not Require Amending the CC&R's

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Section 12.08: Board's Authority to Revise Insurance Coverage.

- a) **Subject to any restrictions imposed by** the Act [Civil Code] or **any Institutional Mortgagees**, the Board shall have the power and right to deviate from the insurance requirements contained in this Article XII in any manner that the Board, in its discretion, considers to be in the best interests of the Association. If the Board elects to materially reduce the coverage from the coverage required in this Article XII, the Board shall make all reasonable efforts to notify the Owners of the reduction in coverage and the reasons therefor at least thirty (30) days before the effective date of the reduction
- b) **The Association and its Directors and Officers shall have no liability to any Owner or Mortgagee if, after a good faith effort,** (i) the Association is unable to obtain any insurance required hereunder because the insurance is no longer available, (ii) **the insurance, if available, can be obtained only at a cost that the Board, in its sole discretion, determines is unreasonable under the circumstances**, or (iii) the Owners fail to approve any Assessment increase needed to fund the insurance premiums.

Amending the CC&R's Requires Consent of 75% of All Owners

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- Section 18:04: “this Declaration may be amended or revoked in any respect by the vote or written consent of the holders of not less than seventy-five percent (75%) of the voting rights of each class of membership”
- One Unit, One Vote
 - 151 Residential Units
 - 55 Commercial Units
- 55 Commercial Unit votes combined with 100 Residential Unit votes equals 75%.
- Consent threshold is not achievable without 55 Commercial Units Support.

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Owner Discussion

- Opportunity for Owner Comments
- Process
 - “Raise Hand” in app to be recognized
 - Once recognized, unmuted, and 3 minute limit to speak
 - After all Owners who wish to comment have spoken, a Owner can be recognized to speak again
- Organization of Topics
 1. Insurance Comments only
 2. Parking Comments only