Irvine Corporate Office 9060 Irvine Center Drive Irvine, CA 92618 Office: 949-716-3998 Fax: 949-716-3999



TUSCANY AT FOOTHILL RANCH ASSOCIATION

MEMBER NOTICE RE: CHANGE IN INSURANCE COVERAGE AND NOTICE OF TOWNHALL MEETING

February 11, 2022

Pursuant to Civil Code Section 5810, the Association's Board of Directors hereby notifies all Association members of a significant change in the Association's insurance coverage, including a reduction in coverage and increase in the deductible, that went into effect on December 22, 2021. This notice is being provided to all unit owners, so you may seek your own alternative coverage, in addition to that which the Association provides, to ensure that you are sufficiently insured.

Due to current and changing market conditions impacting many community associations, the Association's former insurance carrier, Farmers Insurance, was unable to continue insuring the Association under the same or similar terms it previously provided, and the premium for similar coverage by other carriers was exorbitant and well beyond what the Association could reasonably afford.

For many years, the Association was fortunate to enjoy higher coverage amounts with lower deductibles. For example, Farmers previously provided property damage coverage of nearly \$71 million, with a \$10,000 deductible. See attached Certificate of Insurance for 2020-2021. However, Farmers was unable to renew the Association's policy when it expired on December 22, 2021.

The primary reasons for Farmer's nonrenewal and the difficulty in obtaining comparable coverage from another carrier, is the community's location in a fire zone, with a high fire risk. Unfortunately, this is not unique to Tuscany as many associations in high-risk fire areas are facing the same issue, about which nothing can be done so this will remain a factor in the Association's insurability for likely many years to come.

Despite the Association's insurance agent consulting with other carriers, the best coverage available at a reasonable rate was \$5 million in property damage coverage with a \$100,000 deductible, at an annual premium cost of approximately \$347,746.00. Please note that this premium amount is only for primary property coverage and does not include other coverages the Association maintains. See Certificate of Insurance, effective 12/22/2021 attached. The Board is currently looking to obtain

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excess coverage as well, which would increase the annual premium cost but provide additional coverage.

While this new property coverage took effect on December 22, 2021 (when the prior policy expired), the Board is actively continuing to work with its insurance agent and investigating other options for additional coverage.

In the meantime, in order to fund this unexpected increase in premiums, the Board will need to temporarily borrow from reserve funds, which will need to be repaid by a one-time special assessment from all members. At this time, the amount of the proposed special assessment is anticipated to be no greater than that specified in the attached spreadsheet, the amount of which varies depending on the model/group type of unit, in accordance with the CC&Rs. In addition, the amount of the proposed special assessment specified in the attached spreadsheet per unit could end up being slightly more if excess coverage is obtained for an additional premium.

Due to the amount of this proposed special assessment, members must vote to approve it, so a ballot will be forthcoming in the near future, at which time the Board will know the precise amount of the proposed special assessment per unit needed to pay the premium costs, which the members will be voting to approve.

Owners are also encouraged to consult with their own insurance agents as to the availability of other coverage options for owners and to ensure that they have the appropriate HO-6 coverage for their unit interiors and improvements, which are not covered under the Association's bare walls policy.

In order to ensure that members understand the change in coverage, the reasons for the changes, and the future insurability of the Association, *the Board will be holding a <u>town hall meeting</u> for members to attend, at which Association legal counsel and the Association's insurance agent will be present, to discuss this situation and its impact on Association members, which will be held as follows:*

Wednesday, February 23, 2022 6:00 pm

Microsoft Teams meeting

Join on your computer or mobile app <u>Click here to join the meeting</u> Or call in (audio only) <u>+1 949-336-2442,,178055237#</u> United States, Irvine Phone Conference ID: 178 055 237# Find a local number Reset PIN Irvine Corporate Office 9060 Irvine Center Drive Irvine, CA 92618 Office: 949-716-3998 Fax: 949-716-3999



The Board strongly recommends that all unit owners attend the town hall meeting to better understand the reasons for the Board's decision and to have any and all questions answered by the experts. Your understanding and cooperation as we navigate through this process is appreciated.

Please direct any questions, in writing, to the Association's community manager Ms. Victoria Hall at <u>vhall@powerstonepm.com</u>. Thank you.

Sincerely, Your Board of Directors

	MODEL			PRORATED MONTHLY	PER UNIT	
# OF	TYPE/	BILLING	PRORATA	SPECIAL	ANNUAL	ANNUAL
UNITS	GROUP	GROUP	SHARE	ASMT	ASMT	BUDGET
48	1	01	0.0021939	\$ 59.47	\$ 713.62	\$ 34,254.00
48	2	02	0.0024285	65.83	789.94	37,917.00
49	3	03	0.0028343	76.83	921.94	45,174.93
42	4	04	0.0030245	81.98	983.81	41,320.12
22	5	05	0.0031006	84.05	1,008.56	22,188.37
110	6	06	0.0031703	85.94	1,031.25	113,437.49
21	7	07	0.0045367	122.98	1,475.72	30,990.09

\$ 325,282.00



Date Entered: 11/24/2010

CERTIFICATE	OF LIABILITY	INSURANCE
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DATE (MM/DD/YYYY)

	THIS CERTIFICATE IS ISSUED AS A CERTIFICATE DOES NOT AFFIRMATI BELOW. THIS CERTIFICATE OF INS REPRESENTATIVE OR PRODUCER, AN	URA	NCE	NEGATIVELY AME DOES NOT CONST	ND, EXTEND OR AL	TER THE CO	VERAGE AFFORDED F	TE HOL	DOLICIES		
	IMPORTANT: If the certificate holder If SUBROGATION IS WAIVED, subject this certificate does not confer rights to	is an to th	ADD e ter	ITIONAL INSURED, 1 ms and conditions of	the policy(ies) must of the policy, certain	policies may	NAL INSURED provision require an endorsemen	t. Ast	endorsed. atement on		
PR	ODUCER SHORES INSURANCE AGEN	ICY	TNC		CONTACT NAME:						
	1 Orchard, Ste. 230	,	1110		PHONE (A/C, No, Ext): (949)855-0112	FAX (A/C, No):	(949)	855-1828		
	Lake Forest, CA 92630	1			E-MAIL ADDRESS:	E-MAIL					
	Dake Porest, CA 92050	·				INSURER(S) AFFORDING COVERAGE INSURER A: BURLINGTON INSURANCE COMPANY INSURER B: Westchester Insurance Company INSURER C: Capitol Indemnity Corporation					
					INSURER A : BURL						
INS	SURED TUSCANY @ FOOTHILL RAN	NCH			INSURER B : West						
	C/O Powerstone Propert	ty	Mana	agement	INSURER C: Capi						
	9060 Irvine Center Dr.				INSURER D : Grea	t America	Insurance Company				
	Irvine, CA 92618				INSURER E : UNIT	ED STATES	LIABILITY INSURAN	CE			
L					INSURER F : Farm	INSURER F: Farmers Insurance Company					
-				NUMBER:			REVISION NUMBER:	1			
	THIS IS TO CERTIFY THAT THE POLICIES INDICATED. NOTWITHSTANDING ANY RE CERTIFICATE MAY BE ISSUED OR MAY EXCLUSIONS AND CONDITIONS OF SUCH F	PERT	EMEN AIN, T	IT, TERM OR CONDITI	ON OF ANY CONTRAC	CT OR OTHER	DOCUMENT WITH PEODE	CT TO	MUICH THIC		
INS	R	ADDL	SUBR WVD	POLICY NUMBER	POLICY EFF	POLICY EXP	LIMIT	re			
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	CLAIMS-MADE X OCCUR	X		10090226 -A	12/22/2021	12/22/2022	DAMAGE TO RENTED	\$ 100			
		· ` `					PREMISES (Ea occurrence) MED EXP (Any one person)	\$ 5,000			
							PERSONAL & ADV INJURY		00,000		
	GEN'L AGGREGATE LIMIT APPLIES PER						GENERAL AGGREGATE	s2,000,000			
	POLICY PRO- JECT LOC						PRODUCTS - COMP/OP AGG		00,000		
	OTHER:						Deductible				
	AUTOMOBILE LIABILITY						COMBINED SINGLE LIMIT		\$ 10,000 \$ 2,000,000 \$		
	ANY AUTO						(Ea accident) BODILY INJURY (Per person)				
	OWNED SCHEDULED AUTOS ONLY AUTOS						BODILY INJURY (Per accident)		and the second se		
	AUTOS ONLY AUTOS HIRED NON-OWNED AUTOS ONLY AUTOS ONLY						PROPERTY DAMAGE	\$			
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С									00,000		
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	DED RETENTION S			2100391000			AGGREGATE	\$2,000,000			
	WORKERS COMPENSATION						PER OTH-	\$			
म	AND EMPLOYERS' LIABILITY Y / N ANY PROPRIETOR/PARTNER/EXECUTIVE						STATUTE ER	ER			
F	OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	N/A	N0108 30 00	12/2/2021	12/2/2022	E.L. EACH ACCIDENT	\$1,000,000				
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	1 000 000			
B	PROPERTY	X		9938240 - A	12/22/2021	12/22/2022	E.L. DISEASE - POLICY LIMIT		00,000		
D	FIDELITY BOND	\sim		5000485716		12/22/2022	Ded \$100,000		000,000		
E	D&O			CAP021N1375	and the second second	12/22/2022			000,000		
DES	SCRIPTION OF OPERATIONS / LOCATIONS / VEHICLE	S /AC						\$2,0	000,000		
	0 Units/ Bare Walls Coverage			r, Additional Remarks Scher	dule, may be attached if more	space is required)					
Lo	cation : 19431 Rue De Valore	e Fo	othi	ill Ranch. Ca	2610						
Cer	rtificate Holder is named as	s Ad	diti	ional Inured							
Int	flation Guard is included in				ng and Ordinanc	e or law i	s included in the	poli	cy.		
CE	RTIFICATE HOLDER				CANCELLATION	1					
Powerstone Property Management											
9060 Irvine Center Drive Irvine, Ca 92618				THE EXPIRATION	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.						
										AUTHORIZED REPRES	
	1				CAL SHORES	\leq	00	-	2		

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