



Dear TACO Owner,

November 21, 2023

The Executive Board met with legal counsel on several occasions as we were addressing the Association's responsibility to obtain insurance in light of the significant increase in costs and lack of coverage in some cases. We received the following guidance from counsel to share with our owners:

"The Colorado Common Interest and Ownership Act (CCIOA), C.R.S. §38-33.3-319, provides that an association shall maintain property insurance on its common elements, to the extent reasonably available, for broad form covered causes of loss provided that the total amount of insurance be not less than the full insurable replacement cost of the property. The aforementioned obligation to insure the common elements is mandatory; an association cannot override, omit, or somehow lessen its insurance obligations under CCIOA by adopting alternate language in its declaration or other association governing documents. Individual unit owners are relying upon the association to insure association property and the association has a duty to maintain that insurance for the benefit of the owners.

As you may already be aware, the accessibility and affordability of homeowner association insurance coverage has significantly decreased in recent years. Frequent natural disasters and catastrophic events, i.e., flooding and wildfire, have made insurers wary of taking on such risks which, in turn, has resulted in driving up costs and reducing availability of coverage for everyone.

TACO is no exception. It has been a challenge for the TACO Executive Board to find and obtain wildfire coverage for the TACO property, in particular, TACO's outlying complexes. The Board's experience was that very few quality insurance companies were willing to offer wildfire coverage to communities located in the mountains or heavily wooded areas, particularly if community structures consisted of wood/timber products and fire-fighting facilities were remote. Moreover, of the handful of companies that were willing to offer coverage, full coverage was simply not an option.

TACO has currently procured an insurance policy from Robert E. Harris Insurance Agency Inc. ("REHIA") which offers only partial (not full 100% replacement) wildfire coverage for the Highpoint, Gamble Oak and Pinecone complexes. While not full coverage, TACO obtained the best

coverage that was offered and reasonably available for its properties as required under CCIOA. A copy of the REHIA Insurance Summary can be found on the Association website.

As insurance premiums increase, assessments must also increase to cover the association's expense of maintaining and carrying coverage. Under the current insurance policy, TACO's insurance premiums have increased tenfold from approximately \$135,000.00 to \$1,376,458.00. Notwithstanding that TACO's declaration may limit annual assessment increases, TACO's declaration cannot prevent TACO from fulfilling its obligation under CCIOA to insure its property and assess for the costs of same. Simply put, TACO has no choice other than to increase assessments to cover the costs to maintain insurance.

It is very important that you review and become familiar with the current TACO insurance coverage. For Owners contemplating the sale or refinancing of a Unit, it is your responsibility to provide lenders, real estate brokers, and buyers with information pertaining to TACO's current insurance coverage. Less than full coverage and/or the significant increase in premium for wildfire may negatively impact the terms of your current mortgage or your ability to obtain future refinancing. Mortgages are different for each Unit; hence, you should inquire with your mortgage servicer as to the impact that less than full wildfire coverage has on your Unit. All insurance information is available on the TACO website and will be updated as new policies are procured.

As the market changes and/or as new insurance products become available, TACO will move to obtain full wildfire coverage for all TACO property as is reasonably possible. Please note, however, there is no guarantee that full coverage will be available in the near future, or at all. It is also fairly likely that premiums could increase in the future."

Best regards,

Stacey Lanius

President

TACO Executive Board