



VILLA TOWERS

CONDOMINIUM ASSOCIATION

June 14, 2017

To all owners –

Re: Changes to our flood insurance

The purpose of this letter is to give you an overview of the issue and actions taken to date. Be assured that all other building insurance is fine.

Background: Our insurance company for flood insurance, Philadelphia Indemnity, blindsided us with a letter in mid-April stating that they were changing our flood zone rating from a very favorable rating to an unfavorable rating. Ratings are based on maps issued by FEMA; maps which are currently under review but not reissued. This insurance company has historically used the latest FEMA flood zone maps (1972).

Until the receipt of this letter, Villa Towers was fully paid with a flood policy costing approximately \$13,873 with up to \$10m coverage.

The April letter stated that our flood zone rating was changing until such time that FEMA issued updated zoning and that to maintain the same \$10m coverage Villa Towers was required to pay an additional \$76,000 within 10 days. Since then our volunteer insurance committee has spent weeks contacting our insurers, state legislatures, FEMA, neighboring condominiums, etc., reviewing past maps, reading pages of documentation, and remapping our elevation, and we have been unable to reverse our insurance company's unfavorable position.

Because of the above, the building is currently insured for only up to \$1m in the event of flooding. After reviewing responsibilities, the association is not legislated by law to have flood insurance. However, mortgage companies can require flood insurance. The association is also not responsible for homeowner insurance, mortgage or otherwise, and every owner is responsible for common area flood costs. Still, the Board represents all owners, including ourselves, and wants to ensure that everyone is informed so we can consider our options together.

Options:

1. Assess all owners to cover the pro-rated shortfall for this policy year, increasing coverage to \$10m until the policy expires. If nothing changes or a less favorable rating comes out, this will be an ongoing budgeted charge, increasing maintenance fees. If FEMA confirms our current flood rating, the insurance company may be required to refund the increased premium paid.

Or



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2. Keep the building insurance as is. If there is a flood, owners will be assessed for any damages not covered by insurance, which happens regardless of the coverage amount.

This option may affect those who hold a mortgage. It is our understanding that no banks have been contacted by the insurance company to date, pending our decision to increase coverage (option 1).

Next steps: In the meantime, there are still things we can do, such as:

- Hire an attorney to appeal the decision made by the insurance company. We have no estimates yet on what would cost or understanding how this option would be pursued.
- Hire a coastal engineering company to prepare and submit a Letter of Map Revision (LOMR) to FEMA, outlining why Villa Towers should continue to remain in a low risk zone. The committee recently met with one such company, Aqua Terra Consulting Int'l, who has a successful record with FEMA for other clients (references would be checked). Cost: \$25,000, with an upfront \$5,000 retainer to survey, prepare the LOMR and submit it to FEMA, and a balance of \$20,000 to be paid ONLY if we receive a positive acceptance by FEMA. If this is a chosen option, it will require an owner assessment.

So far, it appears that no one else on the island is facing this flood rezoning insurance issue. Members of the committee are meeting with Dawn Pardo, our Riviera Beach Councilwoman, later this week to get her thoughts and possible solutions.

The Board will meet again on Monday, June 19th to review additional findings. Please stay tuned.

Villa Towers
Board of Directors