

Bay Creek HOA Flood Insurance Background

At the next annual Bay Creek HOA meeting in early 2014 one of the agenda items will be a discussion regarding flood insurance. In preparation for the meeting the Board would like to provide some background information for owners to consider between now and the meeting.

Since the development of the Bay Creek Condominium complex the owners have elected not to carry flood or earthquake insurance. There has been discussion related to these policies at annual meetings over the years but each time owners decided the probability of a loss did not justify the cost and agreed to assume any potential risk.

Over the past few years the Federal Emergency Management Agency (FEMA) has developed new flood maps. Initially one or two of the units on the south side were determined to be in a Special Flood Hazard Area and most recently, over the past year or so, we discovered that possibly all five units on the south side are now considered to be in a Special Flood Hazard Area. It seems the four units on the north side are not in a flood zone.

- There is no requirement that a HOA carry flood insurance. However an individual owner may be required to purchase flood insurance if a loan is obtained through a federally regulated lender and the property is located in a Special Flood Hazard Area.
- An owner can purchase an individual flood insurance policy to satisfy lender requirements or if they wish to carry flood insurance for other reasons.
- A July 16, 2013 FEMA article has indicated that that these new flood maps are now questionable and may not apply. It suggests the lender should consult their regulatory agency for clarification.

In addition to the insurance the HOA currently carries, the blanket property and liability policy through State Farm Insurance, the CC&R's state that the association shall obtain and maintain the following insurance: "Flood insurance if the project is located in an area designated by an appropriate governmental agency as a special flood hazard area". Because part of the units are in a flood zone and part are not it is somewhat ambiguous if the HOA would be expected to purchase a flood insurance policy and use the dues of those who are not in the flood zone to pay for a policy to cover the entire complex.

The board decided to thoroughly investigate the cost and feasibility of purchasing flood insurance as an association.

- We have found the annual premium to purchase flood insurance through the National Flood Insurance Program would be \$6798.00 annually. This would mean each owners annual cost would be \$755.00 and correspondingly our monthly dues would be increased by \$63.00 per month.

- The owners of the two units that currently carry an individual flood insurance policy pay approximately one half of what their share of the association policy would be.

We will be making a decision on one of two options at the next annual meeting:

- Purchase flood insurance.
- Amend the CC&R's to indicate that the Bay Creek HOA does not carry flood insurance.

Even though there is a possibility of a flood the board does not feel the potential risk justifies the cost and unanimously agreed the prudent option in carrying out their fiduciary responsibilities would be to recommend that we amend the CC&R's. In order to amend the CC&R's a 2/3 vote of the owners will be required at the next annual meeting. It is important that each owner attend the meeting or submit their proxy.

- Current CC&R language: "Flood Insurance if the project is located in an area designated by an appropriate governmental agency as a special flood hazard area".
- Possible amended CC&R language: "Effective March 23, 2014 The Bay Creek HOA voted with consent of 2/3 of the voting power to amend the CC&R's to clarify that the HOA does not to carry flood insurance on the complex".

If amending the CC&R's is approved at the meeting we will be consulting an attorney on appropriate final language, the document will be signed by two officers of the association and recorded with the San Luis Obispo County recorder.

Board of Directors:

Jan Goldman
Bob Beach
Fred Leonard
Stuart Crisman