October 8, 2013

Dear Owners:

In this month's Board of Trustees (BOT) meeting, there was considerable discussion regarding flood insurance. Based on the interest expressed by Owners for more information, we prepared the attached flood insurance 'fact-sheet'. We hope this provides you with some answers to your questions regarding current and future flood insurance rates.

The BOT and some owners have taken the initiative and contacted our local, state and federal representatives to express our concerns. We support having a moratorium on the existing regulations and would encourage you to write to your elected representatives to voice your position on this matter. Attached are a 'sample' letter and a list of addressees, which you may use in writing to various officials.

As we hear more about changes in the flood insurance regulations, we will update you.

Sincerely,

Your Trustees,
Harborside Condominium Trust

September 20, 2013

Dear ____________________:

With the passage of the Biggert-Waters Flood Insurance Act (Act) of 2012, we have seen our annual flood insurance premium increase from $5,000 to $600,000.

For _____ years, I have lived at Harborside Condominiums, a well-established complex with 27 units, located on the harbor in Marblehead, Massachusetts. Since the mid-1700s, our property has successfully weathered many storms.

In 2012, FEMA reclassified our property from Zone C to Zone VE, thus forcing us to purchase flood insurance through the National Flood Insurance Program (NFIP). In 2012, our annual flood insurance premium was $4,319 for $5 million of coverage. In 2013, the flood insurance premium increased to $46,000. Recently, we received an invoice for 2014 flood insurance coverage…..a staggering $600,000 annual premium. Grandfathering has not limited the annual increases in our flood insurance premiums.

We cannot afford the increases in flood insurance costs. Without proof of insurance, banks will not grant us mortgages. Property values will plummet and local and state property taxes will decline.

Please consider the following recommendations for solving the flood insurance debacle:

1. Enact an immediate ***moratorium*** on Flood Insurance regulations – Defer the implementation of the flood insurance regulations until risk models and insurance rates are re-evaluated and revised.

2. ***Freeze*** flood insurance rates at pre-Act levels – Effectively roll-back the regulations to 2012 levels and delay their implementation until the economic impacts can be better assessed.

3. ***Cap*** replacement coverage for condominium buildings – As coverage for single-family residences is capped at $250,000, a

recommendation is to similarly cap coverage for condominium (multi-residential) buildings.

4. Expand ***Grandfather*** provisions – Extend 'grandfather' provisions contained in the Act to properties that demonstrate continuous flood insurance coverage for the prior five (5) years, not only properties that have participated in NFIP.

Your help in this matter is greatly appreciated.

Sincerely,

ADDRESSEES

Board of Selectmen
Town of Marblehead
188 Washington Street
Marblehead, MA 01945

Senator Elizabeth Warren
317 Hart Office Building
Washington, DC 20510

Senator Edward Markey
10 Causeway Street, Suite 559
Boston, MA 02222

Senator Jeff Merkley, Chairman
Subcommittee on Economic Policy
U.S. Senate Committee on Banking, Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

Senator Dean Heller, Ranking Member
Subcommittee on Economic Policy
U.S. Senate Committee on Banking, Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

Senator Tim Johnson, Chairman
U.S. Senate Committee on Banking, Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

Senator Mike Crapo, Ranking Member
U.S. Senate Committee on Banking, Housing and Urban Affairs
534 Dirksen Senate Office Building
Washington, DC 20510

Congresswoman Maxine Waters
2221 Rayburn House Office Building
Washington, DC 20515

Congressman John Tierney
2238 Rayburn House Office Building

Washington, DC 20515

Mr. W. Craig Fugate, Administrator
Federal Emergency Management Agency
500 C Street, S.W.
Washington, DC 20472

Mr. David L. Miller, Assistant Administrator
Federal Emergency Management Agency
Federal Insurance Division
500 C Street S.W.
Washington, DC 20472

FACT SHEET
HARBORSIDE FLOOD INSURANCE

As of: October 8, 2013

- The Biggert-Waters Flood Insurance Act of 2012 authorized the Federal Emergency Management Agency to revise its flood maps and issue new insurance regulations, effective October 1, 2013. This Act affects all private and commercial properties across the United States that are in or near flood plains.

- FEMA re-classified the maps for Marblehead harbor in June 2012. As a result, Harborside Condominiums changed from a Zone C (coastal) to Zone VE (high-risk, coastal) flood rating.

  - In 2012, our annual flood insurance premium was $4,319 for $5.0 million of coverage. We were classified in Zone C.
  - On September 30, 2013 (before Biggert-Waters), we paid $45,030 annual premium. We were classified in Zone VE.
  - FEMA notified us our annual premium in 2014 will be $600,000, if the status quo prevails.

- Currently, FEMA is revising its maps. The 2014/2015 changes will include:
  - Base flood elevation levels for Marblehead harbor will increase from 13 to 16 feet.
  - The line denoting the VE Zone will be moved east. As a result, Buildings A and B will not be in the VE Zone, but Buildings C and D will remain in the VE Zone.
    - The impact of this change will be to reduce our annual flood insurance premium from $600,000 to approx. $300,000-$350,000 (still exorbitant).
    - This change will affect 2014-2015 insurance rates, but not 2013-2014 rates. Next year's rates could be $600,000, if no relief is obtained.

- In the past few weeks, the HS Board of Trustees has:
  - Obtained elevation certificates for each building
  - Obtained an elevation certificate for the seawall

    FEMA's base flood elevation level is 13 feet and will be increased to 16 feet in 2014. Buildings B, C and D have elevation levels below FEMA's base flood elevation level. The lowest elevations in each building are:

    - Building A - 23.93
    - Building B - 8.34
    - Building C - 9.18
    - Building D - 7.40