

Condo Complex Settles Lawsuit Against Insurer

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Published: Dec 1, 2007

LAKE WALES - A hurricane-damaged condominium complex in remote southeast Polk County has settled a lawsuit with its insurer and finally can start on millions of dollars in repairs, its attorney said this week.

The settlement amount is confidential, said Chip Merlin, the lawyer representing Lakeshore Club Villas.

Since the centers of three storms passed over in 2004, residents of the sprawling complex have lived in insurance-induced purgatory.

Until recently, Lakeshore's insurer, Philadelphia Indemnity, put repair costs attributable to the storms at a few hundred thousand dollars. The homeowners association that runs the complex put that figure above \$30 million.

The result of the gap: few repairs were done. Many units remain uninhabitable. Many others have leaks and other damage.

In June, a team of appraisers, including a representative of the insurer, retabulated storm damage repair costs at about \$40 million. But the insurance company claimed its policy with Lakeshore did not require it to pay that much.

Lakeshore filed suit this month, and the suit was settled within days for less than \$40 million. Merlin said he hopes the repair money will be distributed before Christmas.

"It's sufficient money to start a rebuilding process," Merlin said. Citing the terms of the settlement, Merlin would not disclose the precise amount, but, he said, "It's obvious that the gap ... was closed."

Merlin said he's amending the lawsuit to target the insurance agent who sold Lakeshore its policy. The claim will be that Lakeshore was sold a policy insufficient to cover repair costs. He hopes to recover the difference from the agent.

Janet Brown, a Maitland-based lawyer representing the company, confirmed through a paralegal that the case has been settled. She would not discuss details.

Merlin, who specializes in hurricane damage claims, called the Lakeshore case one of the most complicated he has seen.

Built in the early 1960s, Lakeshore originally was known as Fedhaven, a rental complex for retired federal workers. It is about 20 miles east of Lake Wales.

Fedhaven converted to private ownership, and its residential units became condos. In 2003, the developer turned the complex over to the homeowners association.

Lakeshore has a diverse population. The condos are second homes for many, a large number of whom are seasonal residents. Others were recruited by the developer from Puerto Rico and other Caribbean islands. English is a second language for many, Lakeshore officials say. The population peaks and ebbs, depending on the season.

The bulk of the damage is to Lakeshore's flat roofs. They were built before air conditioning was in wide use so they were designed to hold water for cooling purposes.

In a quirk of the development, the 500 units are owned by individuals but they share a roof. Before turning over maintenance and ownership of the grounds to the homeowners association in 2003, the developer sprayed a foamy membrane on the roofs, presumably for insulation.

When the center of Hurricane Charley passed less than 10 miles from Lakeshore, wind lifted and punctured the roof, allowing water to seep into the membrane, said Alberto Cardona, an engineer hired by the development.

Damage spread from unit to unit in the subsequent days, weeks and months "because of water conduction in the membrane," he said.

For many units, the damage worsened in the months after the storms as steady leaks undermined the structure of the units.