

BUYING A HOUSE IN FLORIDA? HERE'S WHAT YOU NEED TO KNOW

While all of the country is experiencing a “hard” insurance market, Florida has risen as one of the hardest. When a market is hard, it means that there is a decrease in carrier availability and increase in premiums.

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While all of the country is experiencing a “hard” insurance market, Florida has risen as one of the hardest. When a market is hard, it means that there is a decrease in carrier availability and increase in premiums. This piece will cover the factors that have created the property insurance crisis in Florida and provide a checklist of considerations for homeowners and prospective homeowners navigating the Florida market.

FACTORS IMPACTING THE FLORIDA INSURANCE MARKET

Population Increase: According to data from the US Census, Florida ranks #1 in total net migration.

Severity and Frequency of Weather Events: Every year new records are being broken with regards to damages caused by weather events. 2020 saw the most active hurricane season on record with 30 named storms. In the 2022 Atlantic hurricane season, there were 14 named storms, 8 hurricanes and total damages exceeded \$118 billion. This was the third costliest season on record with numbers one and two being 2020 and 2021.

Regulation: The lack of insurers open in Florida is interestingly not just about hurricanes or losses. Insurance regulation and fraud are a big problem. Florida accounts for only 9% of all homeowners insurance claims nationally, but 79% of all homeowners insurance lawsuits nationwide.

Financial Instability: The smaller regional markets have and continue to become insolvent at an alarming rate. Fifteen carriers have become insolvent since 2020 and more than half of Florida based insurers are on the state regulator’s watch list due to their financial health. So while a lot of the larger national carriers have stricter underwriting guidelines and higher rates, we are often recommending them to our clients because the likelihood of them going insolvent is much less than a regional alternative that may offer lower premiums.



WHAT TO THINK OF WHEN BUYING A HOUSE

New Construction: The Florida Building Code was last amended in most of the state in September 2002. Therefore, it may be prudent to search for newer homes, built after 2002, to widen market availability and potentially lower insurance costs.

Proper Wind Mitigation: Most homes built after 2002 should meet standard requirements such as minimum roof attachments, windows meeting impact resistant ratings, etc. Homes built prior to 2002 are generally more expensive to insure, even if upgraded or renovated with appropriate wind mitigation.

Geographic Diversity: Many carriers want geographical diversity, meaning they want some part of your insurance program to be outside of a catastrophic storm prone area. For example, if you have a home in the Northeast and a home in Florida, this offers more of a balance.

Flood Zone: Almost every home in the country is in a rated flood zone, with some being worse than others. The zones considered higher risk are A, AE, V, VE. Factors impacting zone determination may include storm surge, elevation, and distance to water. The elevation of your home not only affects flood rates, but also the home's general insurability. Flood rating regulations changed in April 2023. If the seller's flood policy is grandfathered in with the legacy rating, it may be possible to assume the flood policy at a reduced cost.

DOCUMENTS YOUR INSURANCE BROKER MAY ASK YOU FOR

Wind Mitigation Inspection: Confirms construction characteristics that prevent or lessen damages caused by wind events. An inspection must be performed by a licensed inspector, contractor, architect, or engineer.

4 Point Inspection: A report which outlines the current condition of the home's four major systems: roofing, electrical, plumbing, and HVAC. This is completed by a qualified inspector.

Many companies in Florida offer *both* the above inspections at a reasonable cost.

Elevation Certificate: Confirms the elevation of your home, and all related attached/detached structures and mechanicals to the Flood Zone and Base Flood Elevation established by FEMA.

About NFP

NFP is a leading property and casualty broker, benefits consultant, wealth manager, and retirement plan advisor that provides solutions enabling client success globally through employee expertise, investments in innovative technologies, and enduring relationships with highly rated insurers, vendors and financial institutions.

Our expansive reach gives us access to highly rated insurers, vendors and financial institutions in the industry, while our locally based employees tailor each solution to meet our clients' needs. We've become one of the largest insurance brokerage, consulting and wealth management firms by building enduring relationships with our clients and helping them realize their goals.

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COVERAGES TO CONSIDER

Depending on the property, you could have multiple policies covering various exposures. These are some of the more common types of property policies:

- **Homeowners:** Provides general perils such as fire, theft, etc.
- **Wind/Hurricane/Hail:** A separate policy can be obtained if the home insurance excludes this coverage. The deductible is often a percentage of your dwelling amount.
- **Primary Flood:** The NFIP provides coverage up to \$250,000 dwelling and \$100,000 contents. Private flood options may be available providing up to or exceeding these limits.
- **Excess Flood:** Provides higher limits of flood coverage in excess of the primary flood coverage.

WHY IT IS IMPORTANT TO WORK WITH A KNOWLEDGEABLE BROKER

Market Knowledge: Working with a broker who has a clear understanding of the current marketplace as well as resources available nationally and locally provides a larger breadth of options. NFP is a leading property and casualty broker that provides solutions enabling client success through employee expertise and enduring relationships with highly rated insurers, vendors, and financial institutions.

Claim Advice/Counseling: A loss can be a very overwhelming experience. You need someone on your side who is providing you the best advice and guidance, even if that advice is to absorb the loss out of pocket so insurability stays viable.

Location Checks Prior to Purchase: The pricing of a home can vary dramatically based on minute details of the property. A reputable broker is willing to provide an initial location check to help determine what difficulties, if any, may arise from that specific property.

For more information, reach out to your team at NFP, or visit [NFP.com](https://www.nfp.com).

