

Florida Property Insurance Rates Are Rising: What This Means to Florida Real Estate Investors

June 28, 2011 by [Rosa Schechter](#)

Some South Florida homeowners are discovering a huge jump in their property insurance premiums, so high in fact that [Susan Salisbury reported in the Palm Beach Post this week about Florida real estate owners getting bills that show a 150+% increase from last year's property insurance.](#)

Florida's Increasing Property Insurance Pricing - Up, Up, Up

In 2010 and again in 2011, the Florida regulators that oversee insurance companies operating in the state have approved rate increases in property insurance for Florida homeowners. The *Palm Beach Post* story reports that Florida's biggest insurance company, the non-profit, government-run [Citizens Property Insurance](#), has legally increased its rates by 10% each year. Approximately 20 other Florida insurance companies have rate increase proposals under consideration before the state regulators right now. Expectations are that they will be approved.

Why Is This Happening?

It's often pointed out by insurance companies that rate increases are needed after the carriers are hard hit by claims resulting from natural disasters, like the hurricanes that Florida must face periodically. In 2005, for example, Florida insurance companies were paying out an enormous amount of claims after two hurricanes hit Florida within months of each other, [Hurricane Dennis](#) and [Hurricane Wilma](#), and this on the heels of 2004's record year of three hurricanes targeting Florida's shores: [Hurricane Charlie, Hurricane Ivan, and Hurricane Jeanne](#).

Florida is known for its [history with dangerous hurricanes](#): the state's location makes it particularly vulnerable to damage by these huge storms' high winds and flood waters. Within the state, certain areas are at higher risk of hurricane than others; for example, while [Miami has a 1 in 6 chance of being hit by a hurricane](#), Jacksonville has a much lower probability of 1 in 100.

However, others are also pointing to [Senate Bill 408](#) which Governor Rick Scott signed into law in May 2011. Senate Bill 408 allows for expedited processing of "insurance for insurers" costs, and includes the ability to require Florida homeowners to pay in advance for repairs caused by hurricane damage (and other property damage) and then get paid reimbursement by their insurance company.

While critics point to SB 408 as another example of Governor Scott's favoritism toward business interests, the reality of fake insurance claims being made after natural disasters precipitated the new law. Insurance companies were being faced with far too many phony

claims -- asking that insureds pay for repairs and then ask their insurance company pay them back is designed to stop those fake insurance claims from being filed.

[Read the full text of the new law SB 408 here.](#)

What This Means to Florida Real Estate Investors From Latin America, Brazil, Europe, Canada, Australia, Mexico, and Elsewhere

The idea of buying a vacation home or rental investment - like a condo on a beach near to Miami's cosmopolitan metroplex - is a dream that is becoming reality not only for many Americans, but for more and more foreign investors (especially from [Brazil](#) and [Latin America](#)). Florida is happy to have this global interest - and the local economy needs the boost that these foreign investments bring to the economy, both in the long and short run.

However, nothing is perfect and anyone investing in the beauty of South Florida needs to be aware that they are entering Hurricane country, with all that can mean. Locals accept the need for insurance, and when the time comes, lots of lumber to board up windows along with runs to the grocery to stock up on milk and bread. It's something that comes with being so near to the ocean waves.

Still, this property insurance increase should be a consideration for those real estate investors looking at Florida real estate as a bargain, and it's conceivable that these hikes might dampen their enthusiasm somewhat - especially since there's no guarantee that property insurance costs will not increase again next year.