

Florida Condo Insurance Buyers Guide

Over the past year big changes have occurred causing property insurance rates to once again reach new heights.

Thanks to the new governor Florida legislative approved a huge increase in rates causing major havoc upon owners and insured's. In a time where the economy is struggling to maintain stability, unemployment is at its peak and foreclosures still are a common event insurance rates have increased in various zip codes by as much as 80 percent.

It's well known the state's reserve fund and private insurance carriers maintain inadequate funds to pay for claims when the next major hurricane outbreak occurs. But it seems their logic for the rate increase is to entice the past major insurance carriers that left Florida State many years ago.

As an insurance broker/agent I am able to confidently report, the majority of insured's are not so concerned in the name and quality as they are with price. When offered an option of better coverage or bigger provider their decision is still based on cost.

Keeping cost in mind, I believe it's important here to mention how to maximize the benefits to reduce the costs.

In examining a unit owner's condo policy referred to as a HO6, coverage A dwelling deals with the interior construction of the apartment. This covers floors, walls, ceilings, kitchens, bathrooms and windows if not covered by the master insurance policy.

Buying the correct amount is critical and a bit complicated to figure out. How much will it cost to rebuild everything if for example a fire destroys the whole apartment?

There are costs associated with debris removal, then the purchase of new materials, permits, building codes, contractors, painters, plumbers etc. A good rule of thumb is to use an estimated value range from \$50 per square foot to \$80 per foot. If you have a simple design without marble floors, custom kitchen, granite tops then the \$50 rule should work.

For a 1000 square foot apartment multiplied by \$50 would produce a total of \$50,000 required to rebuild the interior. Don't spend more than you need as this coverage is charged by the dollar amount you choose. It can get very expensive.

Next is coverage C personal property. The electronics, appliances, furniture, fixtures are all loose items covered as personal property. There is no rule of thumb here and this coverage also runs expensive. You need to make an inventory list and add up the total cost for the replacement items to arrive at an insurance amount you will need. Some items may not be important to you and you may leave them out. Do not include antiques or art collections or expensive jewelry, as these items are only covered to about \$1000. Check the policy limits.

A personal property rider called "Replacement Cost" may also be purchased and may run about 14% of the total policy premium. This expensive rider provides for full replacement cost of your personal property instead of actual cash value or depreciated value.

Coverage E personal liability protects you from legal expenses from damages you may cause to others. The standard amount is \$100,000 and it's usually not very inexpensive to go to \$300,000. About \$15 to \$20 more.

In Florida policies will typically include windstorm or hurricane coverage. This is pretty much an insurance policy of its own included with all the coverage's. It can be very expensive and you also have the option to exclude it. Excluding this coverage will mean during **any** high wind storm or hurricane you will have **NO** insurance protection until the storm passes.

We need to mention deductibles as they can significantly affect the costs. The higher the deductible the lower the premium cost. This is your out of pocket expense before benefits are paid up. \$500 is usually the smallest and you may be able to go as high as \$2500. Then there is a separate deductible for hurricane/windstorm coverage that works on percentage. The percentage is based of the personal property, it's kind of like a see saw. The smallest is 2% or \$500 and the max is 10%. For example if your personal property coverage is at \$20,000 and you choose the 10% deductible then your out of pocket deductible would be \$2,000 for hurricane/wind damage.

These coverage's are the main components that control the policy cost. Other coverage's included or bundled in the HO6 policy which do not drastically regulate the cost are, medical payments, mold, bacteria, loss assessment, loss of use, sinkhole, etc.

Ways to also reduce the cost, #1 get a "Windstorm Mitigation Inspection Report". This may be obtained without cost from your association or property manager for the building. This will provide building discounts. Next is prior insurance coverage or a new purchase discount. When shopping around make sure to let the agent know you have prior insurance or the date you purchased the unit. This discount is only valid for 30 to 45 days, don't procrastinate and be without insurance for a longer time. It will cost you more for a policy.

If you have sprinklers inside your apartment, not in the hallways or common areas. Get a letter or fire inspection report from the association as proof.

To find out more about the condo unit owners policy review a short 5 minute video on this at: <http://www.youtube.com/watch?v=FYZ2r4yuFkE>