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*“Cost and availability of Florida homeowners insurance will continue to be a major concern for years to come.”*

*Michael Letcher - President Home Insurance Buyers Guide, LLC*

## Recent coverage of The Buyers Guide in the Media:

March 31, 2008

St. Petersburg Times

[Florida House bill would use Citizens' fund for insurer loans](#)

March 15, 2008

Real Estate Radio Show With Donna Fries— FM 101.1 WYOO  
Panama City Beach

March 10, 2008

Palm Beach Post

[Florida homeowners hardly fans of their insurers](#)

February 21, 2008

[The Beverly Kennedy Show](#)  
AM 1230 WBZT Radio  
West Palm Beach

May 7, 2008

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[www.homeinsurancebuyers.org](http://www.homeinsurancebuyers.org)

## Welcome to the latest issue of Florida Homeowner Insurance Alert!

As the legislature ends its regular session there is no doubt that 2008 will be another challenging year in the **State of Florida**. While the economic slowdown made the budget the number one issue this year in Tallahassee, cost and availability of Florida homeowners insurance will continue to be a major concern for years to come.

Despite the legislative progress that has been made, many of you continue to report ongoing difficulties [finding private homeowners insurance](#), sky high premiums, and high levels of dissatisfaction with your Florida homeowner insurance company. Policy cancellations continue in Florida as an estimated 150,000 policies are being dropped this year. Finally, even though the number of companies writing new business in Florida has increased in recent months, that has been partially offset by other companies who have stopped writing new business in certain zip codes.

With the situation being what it is, I thought this would be a great month to give us all a break from homeowners insurance by having our featured guest columnist change the subject to another topic we all care about - [Florida real estate](#).

In this issue, we are pleased to welcome [Mr. Douglas Rill](#) - President of [Century 21 America's Choice](#). Douglas is an expert on Florida real estate and hosts one of the longest running real estate radio talk shows in the **State of Florida** on **AM 1290-WJNO** in West Palm Beach.

With the start of the 2008 hurricane season less than a month away, please be safe!

Michael J. Letcher—President, Home Insurance Buyers Guide, LLC

## 2008 Florida Homeowner Insurance - Legislative Update

As we go to press, both the **Florida House** and **Florida Senate** have reached a compromise bill on property insurance legislation expected to be signed into law by **Governor Charlie Crist**. The bill will give us important consumer protections as previously outlined in [Florida Homeowner Insurance Alert](#) by [FCAN](#) executive director Bill Newton. One provision of the bill will end arbitration panels where Florida homeowner insurance companies previously won large rate increases if they disagreed with the **Florida Office of Insurance Regulation**. Another provision requires insurance companies to use state-approved models to predict hurricane risk. This should cut back on higher insurance rates based on our recent weather history and instead will require risk predictions over a longer time horizon. Despite this progress, the legislature ignored the two biggest issues we face:

- [Not enough surplus](#) to pay claims at **Citizens Property Insurance Corporation**.
- A very real possibility that the **Florida Hurricane Catastrophe Fund** might not be able to borrow enough money in the troubled bond market to pay claims if we have a massive storm this hurricane season.

## Florida Availability Update:

Total # of companies writing new homeowners business statewide:

	<u>2/07</u>	<u>5/08</u>
# of companies:	42	39

Average # of companies writing new business by area:

	<u>2/07</u>	<u>5/08</u>
Florida Statewide:	23	24
Coastal Counties:	24	25
Northern Counties:	25	26
Panhandle Counties:	20	21

In the Southern Coastal Counties:

- Availability has improved but this has been offset somewhat by additional zip codes closed to new business.
- Pinellas and Broward are the toughest coastal counties to find homeowners insurance in.

***“The current Florida real estate market is one of the most challenging I have seen during my 35 years in the industry.”***

***Douglas Rill - President  
Century 21 America’s Choice***

## More on what you told us when you purchased the Buyers Guide:

- 43% of you subscribed to the Buyers Guide because of a cancelled homeowners policy.
- You named **Citizens** most often as being too expensive.
- The average satisfaction rating you gave your Florida home insurance company was a “5.6” on a scale of “1-10”.
- The average year your home was built is 1982.
- 59.6% of your homes do not have hurricane shutters.

## Featured Guest Columnist - Douglas Rill President - Century 21 America’s Choice

The current Florida real estate market is one of the most challenging I have seen during my 35 years in the industry. Since real estate in Florida peaked in August 2005, property taxes, homeowners insurance, mortgage problems, and the housing bubble have caused home values to fall. While high end and starter home values have held, mid-range homes have experienced the largest reductions. Many Florida real estate markets still have up to ten months of inventory, wide differences in seller and buyer expectations, and negative news coverage that tends to over-amplify the negative aspects of Florida real estate.

As a connoisseur of the market I believe that at this moment we are bumping along the bottom of the market making it the perfect time to buy. Even though prices may still drop a bit more, financing costs will rise (with inflation pressures) making the overall cost of real estate higher as the year progresses. We still face up to two years to resolve our remaining issues. When inventory levels are exhausted and the 2008 election is behind us, the recovery will be dramatic. Here’s why you don’t want to be on the sidelines when that happens:

Florida real estate has national appeal to the estimated 10,000 baby boomers that turn 60 everyday. Many of these people are led to believe that our weather and lifestyle make Florida the best place to retire in the country. By 2011 as the median boomer age becomes 65, there will be an influx of buyers from New York, Michigan, and New England and those things won’t change.

Some Florida homeowners feel obligated to stay in their homes until prices rise again. Based on my experience, if you price it right now and sell at a “loss” from your home’s high, you will be able to make up the loss by taking your cash to the buying side of the transaction and making a great deal there. The buyer does not need to be frightened by this down market. Don’t focus on what you should have sold for in 2005 because that makes you feel better now. Waiting could cost you a lot more even if prices fall further. Why? Because as the **Federal Reserve** addresses inflation fears, rising interest rates will make even a depressed home price less affordable for you.

If you are upside down, in over your head, or unable to make your payments, my best advice is to communicate with your lender, hire a real estate attorney if necessary, and engage the services of a real estate broker who specializes in short sales to get out of the property. Short sales are a way to sell a property for less than what is owed with the difference being made up by the lender or the private mortgage insurance. For example, if you bought your home for \$325,000, with a mortgage of \$300,000 and a current value of \$250,000, you can’t sell the home for what you owe. You need a real estate broker with short sale experience who can negotiate with your lender and obtain approval to sell your property for less than what you owe. Since it may take up to six months to close a short sale, continue to pay your mortgage at its present monthly payment level until the home sells - not making your payment will bite you in the end!

For those at the other end of the spectrum, now is a superior time to find investment, income producing real estate. I believe strongly that after purchasing your home, everyone should have at least one income producing, investment real estate asset as part of their overall financial plan.

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## Policy Cancellations:

Breakdown of [Florida homeowner insurance companies](#) you've reported that have cancelled your policies during the period from 9/28/07 through 4/30/08:

	%
State Farm	31.3
Nationwide	15.6
Allstate	12.5
First Floridian Auto & Home	6.3
USAA Casualty	4.7
Travelers Indemnity	3.1
USAA	3.1
Metropolitan	3.1
Other Companies (See Below*)	20.3

\* AAA, Armed Forces, Atlantic Mutual, Balboa, Farm Bureau, Meritplan, Metlife, Service, State Auto, Teachers, United Property, and Universal of North America.

*"Whether you are 25 or 55, having a second piece of real estate is a good idea."*

**Douglas Rill - President  
Century 21 America's Choice**

## Want to get the Buyers Guide for \$16.00 next year?

Visit [member home](#) and complete the "Submit Competitive Quote" form. Share 3 quotes as you shop your insurance and you will receive 20% off your next subscription to the Buyers Guide database.

## Satisfied with Your Insurance Company?

To rate your overall satisfaction with your Florida home insurance company visit [member home](#).

## In future issues:

To suggest a topic for a future issue of Florida Homeowner Insurance Alert, please complete a [customer support request](#) and select as your issue "Leave feedback on Florida Homeowner Insurance Alert".

## Featured Guest Columnist - Douglas Rill President - Century 21 America's Choice

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My mother Bernice Newmark is smiling down from heaven. She was the first female **Certified, Financial Planner (CFP)** in the United States and always wanted me to become a CFP. Using some of the knowledge I learned from her has helped me recommend to my clients a home, retirement plan, and a piece of investment real estate as part of an overall financial plan. I can't think of a better time than right now to make a super buy on a well positioned, income producing, duplex or triplex within a 20 minute ride from your home where you could get excellent financing. Keep in mind that your tenants will help you pay off your investment over the next 15 to 25 years.

There are two kinds of debt: investment debt and consumer debt. And while I don't view the world in black and white, consumer debt is generally bad. If you are carrying balances on your credit cards, you should do everything in your power to get them paid off. Credit cards are the worst place possible to borrow money. I'm not suggesting you use \$20,000 in home equity borrowing to pay those credit cards off over 20 years - instead, take a look at your lifestyle, eat at home more instead of going to **Starbucks** and pay off those credit cards faster.

Investment debt on the other hand is good because you are leveraging income producing real estate to your advantage. For example, a \$200,000 duplex carrying a \$160,000 mortgage occupied by two tenants paying \$1,000 each will generate plenty of positive cash flow to more than offset the principal and interest payment of \$960 per month along with property taxes and insurance. With \$24,000 per year coming in and \$16,000 going out will produce a net cash flow of \$8,000 per year on a \$40,000 down payment. That's a 20% return on your money. That beats the 3.1% you can get on a CD sitting in the bank by a mile. Plus over time as rents inevitably rise and your fixed costs remain the same, your 20% return will increase.

Whether you are 25 or 55, having a second piece of real estate is a good idea. This is especially important when you consider that the **General Accounting Office** estimates that 96% of an average American's net worth is based on the value of their home. Imagine what your net worth could be with a second investment property if you get in the game now.

In closing, I host a live weekly call in real estate radio show on **1290AM WJNO - West Palm Beach** every Sunday at 12:00 noon. You can hear it anywhere on the Internet by visiting [www.douglasrill.com](http://www.douglasrill.com). I'd be happy to help anyone with free real estate advice during the show through our toll-free lines or by answering emails sent to me at [radio@gowpb.com](mailto:radio@gowpb.com).

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