

Don't Base Your Insurance Purchase Strictly on Price

By Mark Gannaway

It's no secret, the days of purchasing single family homes for investment purposes has become extremely competitive and challenging for the average buyer. No doubt it's a sellers' market, especially in major metropolitan areas like Atlanta, Charlotte, Chicago, Dallas-Fort Worth, Phoenix, Portland and Seattle with values appreciating in the last 12 months 8% to 25%. Overpaying for a property typically leads to an unsuccessful ending, especially if you're financing the property with a lender. Higher purchase prices mean lower ROI, unless the investor can collect higher rents to offset. Higher rents require higher income tenants which again is a limited resource. Plus, there is a chance the price will be too far out of the market standard and therefore, out of the Investor's control.

As the Arcana team travels around the country visiting NREIA chapters, the first question we most often hear is "What are your rates?" Not about coverage, industry experience, service standards, technology or how do you pay claims? Real estate investors in many cases are still just checking the "insurance box" when purchasing a policy. Often, we hear "I have a good deal!" which means they believe they have the best price. The next question I asked them, "Have you ever submitted a claim?" followed by "Have you read your insurance policy?" Most of the time the answer is "no" in both cases. Everyone wants a good deal, including me, but how do you define a good deal? Lower insurance rates don't necessarily equate to lower out-of-pocket expenses related to your insurance program. Payment plans, cancellation provisions and what "isn't covered" in your insurance policy is more impactful to an Investor's bottomline returns



than merely cheap rates. Wise investors should be looking at every expense related to the purchase and financing of the asset, but as I have mentioned before in this periodical and in speaking engagements to NREIA chapters and other groups, don't base your purchase strictly on price.

If you're a "flipper", the rate doesn't impact the purchase and sale of a home - especially assets purchased and sold within 90 days. It's the hidden cancellation charges most insurance companies charge like minimum premiums, earned policy fees and short rate cancellation charges that impact overall cost. If your strategy is to hold and rent, then you're looking for maximum cash flow to fund one's investment and make a decent financial return for you or your investors. Under the Arcana / NREIA customized program, you truly get the best of both worlds. Listed below are the advantages of the Arcana's insurance program for members of National REIA.

1. Maximized Cash Flow – No minimum premium charge, No

earned policy fees, daily Pro-rate insurance calculation, monthly Inarrears payments with no interest charges, and flexible payment schedules. The following scenario shows how the Arcana / NREIA program is different from most insurance companies. -for example: You purchase a one-year insurance policy through Arcana / NREIA for \$365 and you sell the home on day 30 day of the insurance policy and go online and cancel your policy. The total insurance charge is \$30 dollars plus applicable State surplus lines tax which is typically 5% of the earned premium. This as opposed to the other Policies where you might be facing a threemonth minimum payment.

2. No Underwriting – No photos, loss history, or inspections.

3. Maximum Benefits - Replacement cost, All-Risk Coverage with normal exclusions, no Vacancy Clause, Occupied and Vacant rates the same.

4. Industry-leading Technology – 24/7 ordering capability from your computer or smartphone.

All accounting records at your fingertips. Dashboard platform to purchase other coverages including builder's risk, flood, renter's insurance, tenant discrimination and cyber liability.

5. Great customer service and outstanding claims turnaround.

6. The buying power of the NREIA's 40,000 plus members give you the best program for the best price, especially for small portfolios or new investors to the market.

I also want to bring up another point; the insurance world is no different than you when it comes to expectations on the use of its financial capital. Insurance companies are looking for a reasonable return on their investment. Arcana is a U.S. Insurance Coverholder for Lloyds of London, the largest property insurer in the United States. Less than 80 firms can claim this prestigious title. Recently our underwriters informed us that, overall, the U.S property markets have lost money the past 2 years. Fortunately for our customers, Arcana had another good year, not a great year, but better than most according to our companies underwriting divisions. The U.S domestic insurance companies have also experienced poor results. So, don't expect the insurance market to reduce pricing any further. If you see lower pricing, be weary and cautious. Do your homework & due diligence. What you think might be a "good deal" probably isn't.

Please give us an opportunity to speak with you directly or at one of your REIA meetings. We will demonstrate to you why the Arcana / NREIA insurance program is the right insurance decision for your portfolio. You can also learn more by visiting www.nreia.arcanainsurancehub.com.

Mark A. Gannaway, CPCU, is the Chief Executive Officer and Founding Partner of Arcana Insurance Services, an alllines property and casualty managing agency that's been working with real estate investors since it began in 2005. Long before that, founder and CEO, Mark Gannaway, served as President, Chief Marketing Officer, and Executive Vice President for several other wellknown agencies and brokerages. With over 35 years of experience behind him, including 20 with Lloyd's of London as a US Coverholder; one of only a select few in the United States.

Just How Small Are Bed Bugs?



Adult bed bugs can be the size of an apple seed, but the hungry babies are microscopic, smaller than Abe Lincoln on the **BACK** of a penny. Look closely at the center of the Lincoln Memorial and you can see a statue of Abe seated on a large throne. Newborn bed bug nymphs are about half that size.

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