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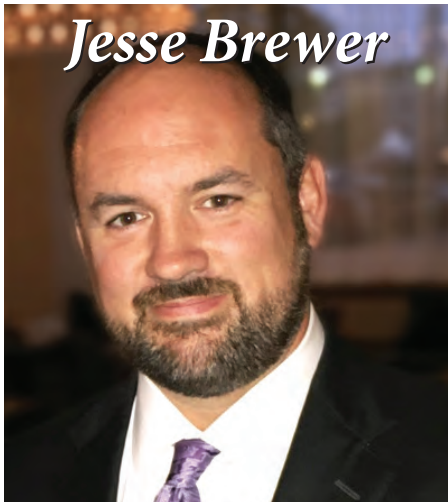
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Member Spotlight



Jesse Brewer

Jesse Brewer is the founding partner of CAP Real Estate and Cincy Area Properties. CAP is the sales brokerage arm while Cincy Area is the third-party management firm. Both companies work side by side to source & maintain small to mid-size apartment investments for clients as well as for Jesse and his partners. He is a member of Queen City REIA, in Cincinnati, Ohio.

Please tell us a little about who you are and what you did before getting into real estate investing:

Prior to becoming a full time real estate investor/professional, I was a police officer for five years. Police work taught me a lot of things that I use in my business today. However the main thing it

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The True Cost in Purchasing Insurance

by Mark A. Gannaway

I hate using the old worn out term “you get what you pay for” especially for Arcana’s first article with National REIA, but sometimes getting a “good deal” or saving a few dollars on your insurance premiums can lead to big problems when you need it most – filing an insurance claim.

Like most insureds, real estate investors are no different than anyone else— many times price points are the sole driver of decision making, not proper insurance coverage placement. Every policy you purchase should include at

a minimum: replacement cost, all risk insurance coverages with normal exclusions, wind and hail coverages and liability coverages in the event of a third-party injury or someone claiming to being injured on your investment property. In today’s environment, I highly recommend a Flood quote whether the property is in a national flood zone or not. Five out of six flood losses experienced in Hurricane Harvey did not have flood insurance and many were not located in a nationally defined flood zone. One purchases insurance to have comfort in knowing that when something goes amiss,



and it will, the claim will be paid within a reasonable time line at a fair value. Unfortunately, investors are sometimes finding that an extremely low rate, quoted outside the industry-norm guidelines is not always accompanied by swift and accommodating claim payment. Do your homework and check references with your industry associates and leaders of your association. This additional step will pay significant dividends in the long term.

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Be Careful What You Wish For Implications of the Tax Reform Effort

by Chris Kuehl, Ph.D.

What was the old Chinese curse purported to be? “May you be born in interesting times”? We are most certainly seeing those interesting times and few sectors have been as affected as real estate and housing. These are important parts of any nation’s economy but in the US the impact is especially profound. It has been the goal of many to promote homeownership – more than any other nation in the world. It has been asserted for years that homeownership creates social stability and economic growth. To that end there have been programs to underwrite home buying and



tax benefits to encourage that ownership.

The tax reform plan that finally emerged from Congress was typical of any large and complex

piece of legislation. It was a far cry from what was intended in the beginning and it has any number of flaws that presumably will be addressed in the years to come. Many of the provisions that most worried the real estate and housing sectors did not survive the final adjustments but some did and they will likely alter the markets in both subtle and significant ways.

Before we get into some of these specifics it is worth commenting on the efficacy of the whole plan. Frankly, most economists have been dubious about the long-term benefits of this tax cut due to the timing of the plan. It is not

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True Cost... Insurance ...continued from 1

Another challenge in today's real estate investment market is finding an insurance agent who understands your business and the financial exposures you as a real estate investor face. I'm amazed how many times I hear "Uncle Joe or my fraternity brother does all my insurance." First question I ask them is "why?" followed with "what does Uncle Joe know about your business and the industry you're in?" This often leads to a "deer in the headlights" look staring back at me. You must have an insurance agent experienced in this type of industry, a lack of understanding of the exposures you have as a real estate investor could be fatal to your business.

Another big mistake is the assumption that a homeowner's policy is all one needs to cover their investment property, especially on smaller portfolios. They call their insurance agent once they purchase the property, have them add an endorsement to their homeowner's policy insuring their new purchase; listing the address, mortgagee, and the preferable insurance amount. Again, my first question is, "have you ever read your homeowner's policy?" A typical homeowner's Policy requires that the property is occupied. Occupied means more than just a table and chairs and a few pieces of furniture. If the property has been vacant at least 30 or 60 days, depending on the insurance company's policy, and they prove the claim occurred when nobody was living in the property, there is a high probability they will deny the claim.

How about the property being vacant while you "rehab" the building? Does your homeowner's or landlord policy cover the vacancy period and the builder's



risk exposures associated with your construction project. Many policies exclude this type of risk potential.

In today's investor environment, we are seeing more and more investors choosing to "hold" properties instead of flipping them to new buyers due to the high rental income returns being experienced in many markets. This introduces a whole new set of problems for the investor/landlord relative to their homeowner's coverage. From a property risk analysis exposure, if the insurance company can prove the tenant caused the damage in question, the homeowner's Policy may have an intentional acts clause giving the insurance company reason to deny a claim. From a liability risk analysis exposure, does the homeowner's policy afford you third party coverage in the event a tenant's guest is hurt while visiting your investment property? What if your tenant has a service animal at your location, does your policy afford you coverage? With your homeowner's policy as your insurance program for your investment properties, there is also

the negative financial impact of your investment property losses impacting your own personal insurance loss history.

So, choosing the wrong method of mitigating your potential financial losses whether through buying the wrong insurance policy or trusting "Uncle Joe" with his recommendations or both, has the potential to both sink your potential profits in your investment property and you having to pay more out of pocket when they raise your rates or cancel your homeowner's policy.

In the end, the main lessons here are choosing an insurance agent who knows your business and the market segment in which you are working and then purchase the correct insurance coverage. The risks you face in the future will continue to evolve and you need a knowledgeable source who will put your best interest before the mere selling of a low-cost policy. Understanding your financial exposures will go a long way in saving your real estate investments and possibly your business.

Now, through an exclusive new

partnership with National REIA, Arcana Insurance Services, LP is offering National REIA members multiple insurance products specifically designed for Investors and their tenants. Features include no Underwriting or inspections, 24/7 desktop and smartphone Certificate delivery system, outstanding Claims Management service, the best time-tested cash flow Insurance products available in the insurance market, and a very knowledgeable and courteous staff to take care of your insurance needs. Learn more by visiting nreia.arcanainsurancehub.com.

Mark A. Gannaway, CPCU, is the Chief Executive Officer and Founding Partner of Arcana Insurance Services, an all-lines 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 well-known 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.



Fresh Flooring ...continued from 2

into place and reduce installation cost and time. Featuring an innovative rigid PVC core that delivers strength while remaining lightweight, LifeProof planks are an excellent choice when you need maximum durability.

Go Big When Going Home

With replica wood and stone becoming more popular, more property owners are gravitating towards large-format tiling and planks. Flooring materials have reached unprecedented sizes in recent years – planks now run as long as four feet in length, squares can go as wide as 16 inches, and rectangles now hit sizes of up to 18x36. While larger flooring

materials are bulkier and require more careful planning to install, they do require less time. To ensure a seamless, gap-free design, use a mortar specifically engineered for heavier tiles or planks. Custom Building Products' Natural Stone and Large Tile mortar, for example, reduces lippage and produces a more level installation.

Add Local Flair

Flooring design trends are not universal and vary greatly by location. At The Home Depot, we see preferences for different styles of flooring across the country. Texas and the Southwestern region tend to prefer darker grey and brown flooring with a more

distressed tone. Properties in more oceanic regions, such as the East and West coasts, not surprisingly go more for lighter grey, white and cream colors that feel cool and casual. Likewise, areas more susceptible to colder winters, such as the Northeast, feature subtle accents ranging from beiges to tans. Depending on property dimensions and plans for the property, the exact parameters of any flooring renovation will greatly vary. However, an awareness of the latest trends and a mind for creativity can result in a floor that is brilliant, easy to install and a value driver for any property.

Will Hudson, is a Laminate and Vinyl Plank Flooring Merchant, with The Home Depot. As the flooring Merchant, Will is responsible for merchandising the Laminate Flooring and Laminate Installation businesses for all U.S. stores and homedepot.com. He has been with The Home Depot for over 13 years, serving in various merchandising roles.

