

**Video Narrator:** Welcome to the REI Diamonds Show with Dan Breslin, your source for real estate investment, jewels of wisdom.

**Dan Breslin:** Andy Gurczak, welcome to the REI Diamonds Show. How are you doing today?

**Andy Gurczak:** Dan, thank you so much for having me on. It's a pleasure.

**Dan:** Yeah, for sure. We've been trying to link up here for a little while to get you on the show. Main topic is going to be insurance claims, and I think it's valuable for the listeners to hang in there. Whether they're single-family investors, whether they're commercial investors, nobody wants to have an insurance claim ever. But when you do, you can really, in my experience, get screwed up by doing it wrong, or maybe even choosing to make the claim in some instances. I know that's been my issue, claiming something too small. But we'll get into all the problems and the solutions, and what you do as an adjuster and why that's something valuable here shortly. Before we do that, Andy, do you want to give us a background on maybe some of your investing career, and then also how you got into and what your adjusting business is today?

**Andy:** When it comes to the investing game, me and my wife bought our first duplex, this was when we got married, so it's going to be 10 years ago almost. We bought our first duplex. We lived on one side, rented the other side. So we basically lived for free, had a little bit of income even left over. I was able to scale the business, not pull any money, didn't need to even make money at that point, was able to reinvest everything. My wife brought enough for groceries and the small stuff. That was under FHA. I think we bought that actually before we got married. Right before we got married, I think we bought that under my name. Then two years later, we ended up buying another FHA under her name. It was another duplex. So we ended up doing only 3.5% down, which was nice. It was a small investment out of our pocket to have two properties that were cashflow and really nice.

From then, we bought a townhouse that was a foreclosure. Then we ended up buying a building that's in downtown Crown Point where we live that we converted into a commercial now. There's three tenants in there actually. Then last year, we did our first 1031, where we sold the townhouse, took the money or sold one of the duplexes, took the money, and then bought a seven-unit building. It's a commercial building. There's seven suites, about 15,000 square feet. I think that's it. I know we have a lot. We're building a home right now. Real estate has been something that we're always interested in. We're always looking to buy something different.

**Dan:** Before we get into the insurance topic, could we pull on the thread of the commercial deals? Because I think a lot of the listeners, including myself, you start out maybe wholesale a couple houses, flip a couple, do the house hack kind of like you did. I know there's a lot of investors who will start by flipping houses, holding a few rentals. We all have this pull toward commercial real estate. I'm going to do commercial real estate someday. I want to get into commercial real estate someday. That's where I'm at, and over the last two years, bought into a shopping center. We're developing 14 self-storage buildings. I have a 30,000 square foot warehouse that we're just going to flip that one here coming up shortly.

It's been a cool transition for me in the last couple years. It is exciting to be able to put a little

more capital to work when later in your career you have more capital to put to work. Would you mind touching on that first Crown Point commercial deal, maybe the purchase price, what your plan was?

**Andy:** Just so you know, all the properties we have were commercial. It kind of happened because of the business. The business grew, so we needed more space. As the business grew, we're like, let's look. The landlord actually that I was renting from at that time, I always asked him, I knew he's a big developer. I said, "You know a lot of people in this area, if you were ever to sell anything or have something else, please let me know." Turns out he had a deal. The grandma, I don't know if she passed away or something happened.

The kids knew him, my landlord, since he was little, so they offered the house to him. So then he called me and said, "I don't want this. We're focusing on different stuff now. Would you want to take this off me?" So I met him and I knew it was in a perfect location. Location is everything. Then the price he gave us was so good. We could have probably turned around and doubled it right away. We took the first floor, we cut it in half. We took and we did two offices. I took the back office, my business. We rented the front, and then the upstairs is just a residential tenant.

**Dan:** That one made sense. It was cheap. You could have sold it for more immediately. There's probably no hesitation there, right?

**Andy:** No. That one I knew right away. We bought that for, I think, 220. That one's probably worth around 5 or 600,000 at this point. The location is perfect.

**Dan:** Now you have the seven unit and the 1031 exchange. I think the 1031 exchange, I did one. I don't have a whole hell of a lot of interest in doing any more. I probably would try them, but I remember the pressure and the stars having to align to make that deal work for me when I did it. So it's a great tool. I think it's good. I think there's a lot of listeners who are like, "I would like to do that someday too." Would you mind walking us through the 1031 deal, Andy?

**Andy:** Same thing with this building. Our business has grown. We had more people, we needed a bigger space. So we were looking to rent because there was nothing on the market. Everything's pretty expensive. So we found the building and there was a unit available. So I contacted the realtor. We looked at it. I'm like, "That's kind of too big for what we need." I explained to him that we're always looking to buy. He said, "The owner is getting older. He's actually looking to sell." So I said, "Well, ask him how much he'd like and we'll meet." He came down with a price, which was really good, and so we bought it. So I'm like, "We're buying it." I told my wife, let's see if we could do a 1031. So we ended up listing our duplex that we had, another one, and got offers on that right away. The 1031 process for us was super easy, because we had the property already identified. For us, it tactically was different. Most people do sell. Then they have to identify the property within, what is it, 60 or 90 days?

**Dan:** Yes.

**Andy:** Whereas we already had the property. We knew ours could sell really quick. So to us, it was a no-brainer. Everything made sense. The only mistake we made then that I wasn't aware of,

that property we had, the duplex, was in mine and my wife's name. When we bought this commercial, we wanted to buy that under our new LLC. When you do a 1031, you have to name it. So if you're selling your names, then you have to buy the property, the new one, in the same way you've sold the other one. If I knew that, I would have had retitled that duplex under the new LLC and so then the closing, it would have been easy because then you're selling as an LLC and you're going into LLC, the same name. You can't switch names. It follows the person that sells the building. So if that makes sense, meaning for anyone that ever does a 1031, make sure whatever you're selling, that that's where you're going to have the new building titled at, whether it's your name or a different LLC.

**Dan:** Nice pro tip. How many square feet is this seven-unit commercial building?

**Andy:** 15,000 square feet.

**Dan:** Nice size. One of the cool things I have to underline for the listeners, because it's just such a powerful way to find commercial property is you stumbled upon this one, it sounds like. And the vacant unit, you call the agent for the vacant unit. There's a lot of buildings out there with a similar type of circumstance where someone's like, I could just keep renting it. I could sell it. I'm not really trying to put it on the market, but you had that perfect timing with a low amount of competition in the event that you overturned that stone, which you did here on calling on the vacant unit, and now it just so happens to be for sale. That's one of the expert strategies, and I know quite a few people who have done that successfully and found phenomenal deals here just like you did.

**Andy:** They always say, there's no good or bad. There's no perfect market. Even now people are like, there's no deals. There's deals. If I was 100% in real estate, I would be calling. All our deals we found, even the duplexes, we found those on our own with my wife. We didn't even call an agent. By the time the agent told us, "This property is for sale," We're like, "We've already told another agent," we're already under contract. We just found all on our own. They're just so slow, the agents, sometimes were just like, we find our own properties.

The townhouse we bought that was foreclosure, we contacted the agent. By the time he contacted the seller, it was under contract. We were like, oh man. He was so slow about it. Then a couple weeks later, we're looking online and the property's back on the market. So we called a different agent, made an offer. That guy, after we were literally under closing, he calls. He's like, "Guys, this property's back on the market." I'm like, "Yes." So there's always deals. You just have to look and find yourself. But the way we did this one, even speaking with that other developer, if you just talk to people and you get in networks, you'll find deals. There's deals out there.

**Dan:** What was the current income on that when you bought it, the net operating income? Do you know that number? And what was the purchase price?

**Andy:** The purchase price of the new building?

**Dan:** Yes.

**Andy:** We bought it 860. I think it was bringing in around 12, gross.

**Dan:** Per month?

**Andy:** Yes, or more. Right now it was grossing around 15 something. With me, obviously not paying that much because I'm taking one of the main suites.

**Dan:** What do you pay in taxes?

**Andy:** We're netting about 10,000 a month.

**Dan:** So you're at about [inaudible]. Even at an eight and a half cap, that's got to put you at like, do you already know?

**Andy:** I never do cap numbers. I don't make real estate confusing. I make it very simple. What is our monthly expenses, our mortgage, our taxes? What is the income? What's left over? I know what I still have to have for if anything breaks. I know I can look at a building and know what needs to be remodeled or updated in the next years. So to us, the numbers made so much sense. After all our expenses, snow plowing, grass cutting in the summer, everything else, you're left with a little bit over 10,000 a month.

**Dan:** And you have space in there. I guess you're paying yourself a little bit in a sense from the business.

**Andy:** It's weird because my business is paying the... [crosstalk] We should probably be another 2, 3,000 netting in there if I was to pay the regular type. [crosstalk] Remember the duplex we sold, we netted around 200,000. So we took 200,000, basically. The whole down payment was from that duplex, that duplex doubled in value. So we took all that money put into this one. So technically we only finance like 600,000.

**Dan:** 600 grand in there. This thing would appraise no problem right now at like 1.4 million. I don't know how anxious the banks are when there's an owner occupant with the space. There's rules sometimes of certain percentage the owner occupies, then they may treat it like owner occupied versus certain percentages, tenant based. You have more investment value, 1.4 million, even at like 65% loan to value, which you could probably get. A cash out refile[?] on something like that will be around like \$900,000. So it would make complete sense to do that deal. If you weren't even going into that deal and you bought it for 860, you got it tenant in, and then you pulled your cash back out. Did you guys have to put serious capital improvements?

**Andy:** Nothing. I was in construction, so I can inspect the building. I do my own inspections because these inspectors do their... So I inspect my own buildings. I looked at this building. I knew that there's seven air handlers on the rooftop units, and I knew three of them are old. So I knew that it was a matter of time and I could budget seven or 10 grand for each one that's going to break. One did go out. One of my employees, her husband actually owns a HVAC company so he got the unit for me for half the price, had a friend put it in. So save like half the math. I knew that was going to go out. Everything else, the building is all brick, everything's fine. No

maintenance.

**Dan:** It's a smoking deal. I really appreciate you being candid here on the show about it because I think it's a great... if someone's flipping houses and they've got 10, 20 rentals, 40 rentals, a deal like this would be a great stepping stone into the commercial arena versus like buying a 100,000 square foot shopping center. I think you're better off maybe learning on the \$860,000 purchase.

**Andy:** I wouldn't be ready to go into a shopping center. This was our first, and then that other commercial property that we turned right into a commercial, our little commercial on the square that we call it on a little downtown area. We took that single home to get into the two offices and the tenant upstairs. That we don't really consider it. It is commercial. We don't consider it commercial. This is really a true commercial unit, a true commercial building. I always told my wife, if we're going to try it, let's try it.

We went from netting around 1,000 a month to taking the money from that property into this one and netting over 10. We're going to lose a tenant right now that we were aware we're going to lose. So we're going to lose about maybe 25% of income because they're moving out. But because this area is by the hospital and it's a really good area, we know that probably even if it takes longer, we're fine. We could lose half our tenants. We'd still be even. So all that stuff we take into account. When it comes to numbers and cap numbers to me, I always protect, if we lose half the tenants or if we lose how much, do we have and how much do we have left over everything? Worst case scenario.

**Dan:** It's a building that's yours, there's not investors. So a lot of people who are doing commercial deals are like raising the money from 10, 15 different. There's something to be said for owning the asset 100% with the wife whatever the case is, but there's something to be said for that kind of control long-term, especially to mitigate the risk of like rent increases in space that your company might need. So there's a ton of reasons why this deal would make sense. How did you put the financing together? Was it like a local bank and you have to refinance?

**Andy:** Yes. Let me tell you, this was super great. I don't know how much can I indulge into this, but we are building a house. We're building a house not far from here. We had a lot, and because I'm juicing it myself, it was very hard to find a loan. Because not many banks want a loan to someone that's juicing a project themselves. There's a local bank here that's got two branches and they're great. They ended up loaning the entire project, the entire build with me juicing, turns out, then my neighbors actually know the president of the bank. He's also the underwriter, turns out he's great. He loves small businesses. So as soon as we had this property, we found out, I contacted them. I said, "Hey Brian, we have this property. Would you guys want to look at it?" He's like, "Yes. Send me the numbers." Sent him the numbers, next day, he's like, "Yes, this is great." I'm like, "That's it?" A month we were closed. I'm like, "That's how it should be."

Working with them, even for this construction loan or now for like anything, now I'm like, "I will never go to another bank. They will get all my money. I will do every deal with them because it's the most simplest process." It was great. In my business, we banked with the big, the chases, all the big branches and the service, they don't care. I guess unless you're doing millions with them, you had to go through like 10 people to just get an answer on some of the simplest

stuff.

**Dan:** I feel like it must be hundreds of millions you have to do with them to get their attention because we're not getting that kind. You're trying a little bit, but their hands are always tied at the local level. There's only so much they can do, but those local banks are fantastic. Do you know what your price per square foot is for the rent on any of the tenants? Like what's your market rent?

**Andy:** I'm not sure. My wife has all the numbers in terms of square foot and what we're renting each unit for, but I know where they were rented for like fair amount compared to everyone else. Because when she did the math when we compared it to other one, she would have those numbers. She runs more of the numbers. She collects the rents. She does the leases. I handle all the problems. The worst part is I'm in this building with the other six tenants. So when there's an issue, they just come and knock on my window. They're like, "Hey!" I'm like, "Shit." [crosstalk]

My original plan was don't tell anyone that I'm the landlord, but I like talk to people. So as soon as we moved in, I'm like, "I'm the new landlord," and all of a sudden, now I got people knocking. We might have someone knock while we're sitting here.

**Dan:** You must have all kinds of problems.

**Andy:** Honestly, the only issues we've had besides the AC, is the lights going out, the light bulbs. So now we've been converting them to LED. So as soon as we have an issue, we have a method to convert them to LED and then we call it a day.

**Dan:** It's a good deal, 57 bucks a square foot on the purchase. I'm throwing a dart, but if I had to guess, probably like \$8 to \$11 a foot, something like that as the rent, I can see why the president was like, "Yeah, this one makes sense." Because when you do it on the cap rate and the investor math, it's a good deal. So congrats on that find.

**Andy:** Appreciate it. As soon as he told me... and then the agent asked us, "What would you want to pay?" I said, "No. What does he want? I want him to make us an offer." So when he's told us 860, I think he'd said 890. Then we came down and we met at 860. The city appraised it for 1.1, just for city alone.

**Dan:** So just for taxes?

**Andy:** Yes. We knew the city's appraised low always. So we knew if the city's appraising at 1.1, we're getting it. The math just made sense.

**Dan:** Yeah, 100%. Great deal. Let's switch gears and dive into the insurance adjuster. What is an insurance adjuster, and why should a real estate investor care?

**Andy:** There's different adjusters. There's a staff adjuster that works for the insurance company. You're going to have the independent adjuster, who works for the insurance company, and then there's public adjusters. Sometimes they say private adjusters, but a public adjuster as known,

and the license holds, is an adjuster that works only for the insured. So we can only represent the insured on their own claim. So when we explain to clients, it's, "Hey, the insurance company has their own adjusters, their own attorneys, their own contractors, their own team." Everyone works for the insurance company. They're all looking out on behalf of the insurance. They can't be representing the insurance company and then coming out and looking on your behalf. It's like an attorney representing two parties. So as a public adjuster, we represent the policyholder and advocate only for the policyholder.

**Dan:** Small little delineation there. I'm just thinking back to when I first bought insurance and I think I had a claim for a car accident when I was in my twenties. They came out and gave me a cheque. This is great. The adjuster just came right out. It was easy peasy. But then through real estate, I've learned that they don't necessarily pay out on every claim, and they try to minimize the amount on certain claims. That would be the staff insurance adjuster or an independent adjuster working for the insurance company versus a public adjuster, which the insurance company is not going to tell you that you should find or use a public adjuster, right?

**Andy:** That's correct. No, they're never going to tell you, "Hey, you can hire a public adjuster." They're not going to say, "Hey, hire an attorney." They're going to keep pushing their own people, whether it's, "Hey, we have our own vendor. Would you like to use our contractor? Would you like to use our own this?" They want to control the claim. Because we're in this industry, when I had an accident three years ago and I got an estimate for my truck, we don't work car claims, vehicle claims, but I remember going through the estimate line by line item, just like we do with buildings. I remember there was 3,000 missing in that estimate because he had quoted lower parts that the truck actually had because it was like a better model. I was able to find \$3,000. I've never worked in car claims, just knowing the industry. If I was just a regular consumer, I would've got the cheque and be like, "Great, he cut me a cheque. This is all nice."

**Dan:** What was the total amount of that claim? So you found 3,000 extra and a claim of...

**Andy:** It was \$5,000 they gave me for my truck, and then I ended up finding another 3,000 there that they owed me. So it was an \$8,000 claim total.

**Dan:** We're not talking an insignificant percentage of fine and that's what the car insurance companies do. How much worse does it get in real estate? Maybe we could talk about...

**Andy:** We're talking about huge numbers.

**Dan:** That's right. Maybe we could talk about an example on a claim where they issued a certain amount of money, and then you got involved and you found what, and then the total claim ended up being how much.

**Andy:** The best one, not long ago, a couple of months ago, actually. There's probably a video with the insured, brother Elijah, his claim, it was a church they purchased. They have a church, but they also do schooling. So they were going to convert this old church into a school. They had a fire a couple of months after they purchased it. The adjuster came out, I think his initial estimate was like 800,000. That claim settled for like 3.1, I think, or 3.2 million. It's so

significant right now. You can say, "Andy, that's just your winners." No.

When we take a claim, we're always going to significantly raise and get our clients every penny. That one's a really big one. I'll tell you, we had a 16-unit building that burnt down. The insured had a \$550,000 policy, had a total loss. The adjuster came and wrote damages for like 580, but then he took depreciation of like two something. There's a difference between an ACV policy and a RCV policy. That insured only had an actual cash value policy, meaning that once the depreciation was taken away, that's all he would get. He would not be able to claim the depreciation. So that adjuster gave him the \$330,000 cheque.

He actually called us because his mentor investor, a mentor recommended us. So we looked at the building and I looked at the claim and I said, "You could tell that the adjuster stopped writing his estimate because he got to like 580." It was like right over the limit. So when we got a hold of this job, the adjuster actually reached out to us and said, "Hey, why is he hiring you guys?" I said, "What do you mean?" "Well, I already paid him limits." I'm like, "You didn't pay him limits. You wrote limits, but because the depreciation is so high, you're only getting him 330, and that's all he could claim because he's got an ACV policy only."

We ended up writing that estimate that damages were over 800,000. So even after you took out all the depreciation, he got a full settlement of 550. Plus he got another, there was an endorsement for debris removal. So he had another 25,000 plus 5% of I forgot what other endorsement. He ended up getting an extra, I think 300,000 that he wouldn't have got.

**Dan:** Impressive. So you breezed past ACV and RCV.

**Andy:** Sorry. I didn't want to stop right there, but that's the difference. We just had a insured, same thing. They had a fire. They're investors out of Mexico, actually. Their policy was an actual cash value policy too, a lot of people don't know that. It's kind of scary. So when the claim is settled, it's always settled on a replacement cost value. So when we calculate it, we're going to say it's going to cost 100,000 to replace this home, but then we're going to say it's 20 years old, all the material. So now we're going to depreciate the material and in some States labor by 20%. So if we're going to take 100,000 depreciated by 20%, it's 20,000. So you take 20,000, that's the depreciation. And now the insured gets the actual cash value, which is the 80,000. That's your actual cash value. What's left after the depreciation. So now if you have an actual cash value only policy, you're only getting that 80,000. Most policies are replacement cost value, meaning you get that depreciation amount once the repairs are complete.

**Dan:** So the replacement cash value is the one that listeners would want to make sure they bought?

**Andy:** 100%. You always want a replacement cost policy.

**Dan:** Is that like the insurance broker should normally pick that up as they're placing your policy? Which brokers are shoving people into actual cash value policies?

**Andy:** I wonder the same. I'm wondering the same thing because if I'm a broker and you come to

me then I'll... I [inaudible] getting me. I get a lot of the consumers maybe want to have the lowest premium. So they're [inaudible], "Hey, I don't care." But if I'm a good broker, I'm going to explain to you, "Hey, you're going to save \$1,000 or \$2,000 a year, but understand that if you have a fire, you have a major disaster, you're going to get half the money, and that's it."

So I don't know how as an agent you're not explaining that well enough for the client to spend a little bit more or get them in it with a different carrier so they can actually be covered for the full amount. It's a scary thing because no one ever thinks something's going to happen to them. That's the call we always get. I always had insurance. I never thought this was going to happen to me.

**Dan:** That's what we're all thinking. Everyone listening to the show right now, nothing's ever going to happen, right?

**Andy:** Yes. I was on a podcast, like maybe a year ago, I think. The host, really nice gentleman and I won't say his name, but a month after he reached out to me, he had a fire a month after we were on the podcast that he had me on. Never happened to him.

**Dan:** I'm assuming it worked out and you were able to perform.

**Andy:** Oh, yeah. He was super happy. He was grateful.

**Dan:** Let's go back to a brother Elijah's deal. They offered \$800,000; You got him 3.1. What kind of a time period? And what were the interactions? So if the listeners on the phone, maybe what we're trying to pick out in this example, Andy, is could brother Elijah have made a mistake by signing a document or cashing the cheque of 800 grand or something he could have done that would have like jeopardized the position and, or do they have to call the adjuster within some certain timeframe or where at in the process would you fit in there?

**Andy:** Brother Elijah was very smart. As soon as he got the cheque, they cut him the first cheque. I don't know if he right away knew something was wrong. Actually, when we talked, he purchased the building for seven-something. So when he got that cheque for eight, or they told him it was 800,000, he thought it was pretty fair. When he got a contractor in there and the contractor told him, "Hey, there's a lot of damage here. You might want to call up here. You might want to call, get a second opinion." Is when he reached out to us. When I initially walked through that building, in my eyes, I'm like, this is around 2 million and up. Knowing construction background, I know what it takes to put stuff back. I know the material price and labor price of stuff. So in my head, right away I could calculate everything. There's really nothing. Even if he cashed the cheque, it doesn't, unless the cheque is a settlement, meaning it's a settlement amount that you're settling a claim with them. It doesn't do anything. That's an old myth. If they give you money, you take that money and you deposit as quickly as possible. Take that money. That's your money. Whether you hire a public adjuster like us, or you don't, you want to take that money and keep fighting the claim.

**Dan:** So will they try to put a document in front of you at some point that says, "Hey, we're accepting this as a full settlement," or is there laws against that kind?

**Andy:** No, they wouldn't put a document. There's claims we settled too where they say, "Hey, this is where you guys are at, this is where we're at. Would you guys want to accept the settlement offer at this?" And the settlement offer says, "Hey, you guys are going to get a cheque, and it says it's a final settlement offer."

**Dan:** So that's what you want to look out for then.

**Andy:** Yes. As long as the cheque doesn't say settlement or you've signed something, but most cheques that you get, those first cheques are those actual cash value cheques. So brother Elijah, that 800,000, I think his actual cash value was four or like 500,000. So that was his first cheque, the 500,000. So if he wants to deposit that cheque, it doesn't hurt the claim or doesn't do anything with the claim. That's his money.

**Dan:** How long does a normal insurance claim pay out two, three, four different cheques? I'm curious if I'm the insurance company and I want to operate in an unscrupulous fashion, why wouldn't I have him sign off on the 500 when I'm sending the 500, right? It seems like they would attempt that but they're not attempting that all the time.

**Andy:** Most people won't hire a PA. I think it's said that only 5 or 6% of insured that actually hire a public adjuster or get help. So they know most people won't get help. They're not going to look out to an attorney or reach out anywhere. They're going to do their thing. They're going to settle the claim, have a contractor go into the repairs, and most of the time when they want to hire a PA or want to hire someone, it's too late.

**Dan:** So you have to get in there quick. Did Elijah hire you very early in the process? You may have just mentioned that.

**Andy:** Very early. He got the offer and as soon as he got the offer, he had a contract to go in there, and then a couple of days after he contacted us. So it was pretty early.

**Dan:** It sounds like one of the critical steps is hiring a public adjuster immediately.

**Andy:** Yes, and if he hired us from the beginning, as we always recommend with most investors, like brother Elijah now, he had another fire actually at another building that he rents out to his parishioners for free. Actually, he doesn't rent it out. Parishioners are going through a hard time. He lets them stay at this house. This guy's great. So this house actually caught on fire and so he called us right away. Even with that church, if he called us right away, it probably would have been more than 3.1 and it probably would have been settled in half the time.

**Dan:** What was the timeline it took to settle that one?

**Andy:** Once we got hired, I think within 90 days that was settled.

**Dan:** That was relatively quick.

**Andy:** That one was very quick. Depending on the claim, depending on the insurance company,

depending on where we come in the claim process.

**Dan:** What would be the long end someone could expect? Let's say single family. We talked a little bit about commercial, but owner-occupant even, like we run into this a lot. We buy these houses, Philadelphia, Chicago, around the country, and occasionally we're getting they're fire damaged. They're calling because they had a fire a month ago, six months ago. And one of the things the sellers are often mentioning to us, Andy, is, "Hey, we're fighting with the insurance company, let us settle this out then we can deal with the sale." I'm wondering if there might be a synergy there for us to introduce the adjuster or make sure they have the adjuster. But I'm also curious, what's that timeline for them on the long end to sort that out?

**Andy:** With a fire, it should go pretty quick. Once we get hired on a fire, fire claims go pretty quick. That's our specialty. Majority of our claims that we handle at All City is fires. Fires and then we'll do large water claims. We actually doing a couple of tornado claims in Ohio. So large loss is kind of our specialty. When it comes to a fire in like Chicago, those go pretty quick. Now, if you have state fire, I don't want to shoot out one insurance company, but I just said it. They're just so behind their adjusters that even if we give them our estimate, give them everything, it still takes like two months to go through like five managers just to issue a cheque.

**Dan:** You got to wonder if that's because they're behind, or it's a great strategy to like...

**Andy:** I'm going to tell you right now, this claim here and I'm just going to pull this up. This claim in Ohio is a fire, it's an investment group. There's four investors. They just called us and we just did this Ohio claim. We met with the adjuster and I want to see, I'll tell you how long it's taken because this is a large loss. This is going to be about half a million. It's so far since the fire happened, 21 days. We already wrote our estimate. We inspected it. We already prepared all our documents. We already met with the adjuster. He's already got our estimate. We should have their initial offer. If it's good, it will be their initial offer or their final within 10 days, so 30 days. If there's stuff missing, then we'll have to go back and negotiate it. But within 60 days, we should have that claim wrapped up. So the quicker we get involved.

Now let's say they get an offer and they hire us. We have to go and recreate the whole story like, Dan, what happened in the last five months of this claim? I gave them this paperwork and I told them this and this happened. Because now not only do we have to present the amount of damage, but we have to say, go overturn everything you've already told them or you've already said. So then it's a little bit more work and it takes more time.

**Dan:** You operate nationally, Andy?

**Andy:** Yes, sir. I think it's close to 40 states now.

**Dan:** So not quite nationally, if anyone's listening. Are there any states that maybe the no-state list, if someone was listening, versus all 40?

**Andy:** No, the reason I say all states is because some states don't, like Alabama, there is no public adjuster there. There are states that don't have public adjuster designations.

**Dan:** Like they're not legal. It's not written into the insurance law or that kind of thing.

**Andy:** Yes. Exactly. Pretty much every state, major state. I don't think we're in like Montana, the Dakotas, I don't think we're in, and that's pretty much it, I think. I think every other state... If you called us today and said, we had a fire in Montana, we'd reciprocate our license and within two weeks, we'd have a license and work a claim out there. It wouldn't be an issue. That's how we grew our business actually originally. So when we had our first original investors here in Chicago, Indiana, as they grew their portfolios, we grew with them. So they would grow to Ohio. We'd get our license there and get an office and grow with them. So that's kind of how we got into so many states and grew nationally.

**Dan:** What makes up your business in a percentage commercial versus single-family residential?

**Andy:** I would say 70% is commercial, whether it's a single-family commercial or like single-family investors, and then 30% would be residential homeowners.

**Dan:** Is there a low end of the property value that you simply can't get involved? I don't know, they have \$100,000 insurance policy or something.

**Andy:** We stick to 100,000 claims and up. That's where we like to be at, where it makes sense for us.

**Dan:** That's typically going to be the large losses like you mentioned, the fires, tornadoes, I guess a frozen pipe on the third floor of a three flat.

**Andy:** Frozen pipes on third floors are the greatest. We do them all the time. [crosstalk] Not great for everyone, but we do them a lot. If someone calls us, "Hey, I had a frozen pipe in my basement," probably not much in a basement, 2,000 square feet, might be a 40 or \$50,000 claim. Not much we can help. We'd just recommend someone or say, "Here's someone we know." But the reason it's not about money and stuff, more or less, it's large loss because we have the team to handle it. We've built the company around handling large loss and bringing in the right people. Our main estimator spent 20 years with farmers handling large loss. He was in charge of million-dollar claims up in all of California and some others. So that's kind of how we've built the company.

**Dan:** He's going to have to like fly out to Georgia or wherever the claim is in order to...

**Andy:** We fly out everywhere. Tomorrow we're in Galveston, Texas, a home right on the beach just had a fire. Then from Galveston, we're going to Ohio for a tornado. So we're everywhere.

**Dan:** How do you get paid? Is this like, paying you by the hour, contingency fee? What does the client expect?

**Andy:** Whatever state we work in, whatever claim, it's 10% contingent on what we recover. So if we get hired right from the beginning, it's 10% of the final settlement. So the final settlement is

300,000, it's 10%.

**Dan:** Does that normally get paid like straight to you? Does it go to the client?

**Andy:** The insured pays us once we settle the claim, either they'll get a cheque or we get a cheque, we'll endorse it, and then they send us a cheque, or we'll write a cheque to them minus the fee and they'll endorse the insurance cheque. So it's a simple, the getting paid part is like us getting paid in the final is pretty easy. It's just making sure we get the client paid.

**Dan:** Is there ever a time where it's contingent? So if no resolution comes, there's no fee. Is there ever a time where you guys try and there is no fee?

**Andy:** In 10 years, we've had two claims that didn't go to an attorney, claims that were just not denied, but just didn't get paid. So technically, in 10 years, I think there's two claims that I could remember that we didn't get paid. There was contingency and there's just nothing else we could do. We came in too late. The client was already setting up. There was too many parties involved.

**Dan:** Are there bad adjusters out there, Andy? Are there people who kind of bungle the situation that we need to be on the lookout for?

**Andy:** Yes, 100%. You have to do your due diligence when you're looking for a PA. Especially when you're doing your due diligence, let's say you had a fire, you had a large loss. Because every public adjuster is going to say, "We do fires, we do water, we do everything." But most public adjusters in like Florida only handle storm claims like, wind, hail. They don't really do fires. So you have to make sure you actually specify that the public adjuster knows what they're doing, and they can handle a large loss or they know how to work with management companies or associations or investors or landlords, because it's different policies than homeowner's policies.

I can tell you for an investor, if you send us a policy, I already know you don't have code coverage unless you actually paid extra for it. Whereas if it's a homeowner's claim, it's mandatory. You always have it. It comes when you purchase a home and you purchase insurance with State Firm, law and ordinance coverage is already included. But if you're an investor and you purchase a landlord policy, that law and ordinance is not included. You actually have to buy that separately. So knowing that the public adjuster knows what type of claim, what type of scenario, is probably the biggest thing you have to be aware of.

**Dan:** That's smart.

**Andy:** And a lot of PA firms are small. You have to remember 80% if not more of PA firms are mom and pop, very small, local. There's only so many big companies, big PA firms that can actually handle large loss.

**Dan:** It's interesting. I have a question that may not be adjuster related, but I'm looking at a building right now and the guy made a claim because I think his roof, I don't know if it caved in or it was leaking, probably 80,000 square foot building if I remember correctly. And it was a

\$500,000 claim. Then they dropped him, and he's got like 350,000 square feet that I'm trying to buy off of him right now. None of us can now get insurance because he made the claim. So is there ever a time? I have quite a few people who are friends of mine who won't even make the claim, 60, 80, \$100,000 repair on their commercial property. They know better than to make that claim because they're going to get dropped and that next insurance premium might go from 60,000 a year to 110. You're fine and you're in the clear in two years by paying for it out of pocket in a sense. Do you have any insight around there's time and place not to make an insurance claim?

**Andy:** That's an awesome question. That's one of the tips we always give when I'm discussing claim process and adjusting area with people. For our company, something we love to do and we do for all our clients is, we advise when to file a claim. There's always times when there's not a right time to file a claim. When a client calls us, you call us and you say, "Andy, everyone in my neighborhood, all these businesses got new roofs. I should file a claim. I'm going to get a new roof." No, that doesn't work that way. First of all, they might have a different... If we look at one property, if we look at 10 properties, everything's identical. But to that one property, there's 10 different claims, 10 different adjusters, 10 different insurance companies. Even if it's the same insurance, 10 different adjusters are going to adjust that claim differently. So it doesn't matter what your neighbors are, what the situation, like what we do is, we'll come out, we'll take a look and unless we're like positive that this is going to be a good outcome for the insured, we'll say, do not file a claim because it's not going to make sense.

I'll give you an example. Most PAs, they're smaller. If they get a call for a million dollar property, they're going to file a claim no matter what. They're just going to file because they hope it sticks. Last year, we had a call. It was 260 buildings. This was somewhere in [inaudible] this was. 260 buildings. You're looking at all these 260 duplex senior living families, these buildings. They had a company out of New York come out and tell them they should file claims because there was damage everywhere. They sent them this whole presentation. So I looked at this presentation. I'm like, "Holy smokes, looks like there's a lot of damage. A lot of hail damage."

So we pulled the weather data. There was no big hail or storm in the last year. So they called us because they wanted someone local. So we went against some other PA firms. We ended up winning the job, and we looked and inspected the building. I said, "When did you guys replace the gutters?" They said, "We replaced the gutters like three years ago." There was damage on certain parts of the siding, and these guys took pictures of those old siding where that's been there for 20 years. So that damage was very old. I'm like, "If you guys replaced the gutters in the last three years, and you're filing a claim that within the last two years, you had a storm, and none of the gutters or down spots had a leak of hail, there's no damage here." So then I met with the board and advised them to pull that, retract that claim back because not only do they have good insurance. If they would have filed that claim, the insurance company would come out and take a photograph and then say, "You guys have old siding, old roof, we're going to drop you. We're not going to insure you anymore." Now it's going to be hard because now every other insurance company is going to see that. So they actually retracted the claim. They still have that same insurance, still have that great premium, and if a storm ever happens, it happens, they're insured for it. But the insurance is not there to pay for old damage or cosmetic.

That was a great question because there is right times. If you have a \$50,000 deductible, Dan, and we go in and we say, the damage is only 60, why would you file a claim? Makes no sense. It's got to make sense for the insured. Since I'm an investor, I always look at it from an investor side of myself. Like, how would I be in that scenario? Am I going to come out better? Got to make sense.

**Dan:** Yeah. It sounds like that would be a reason someone could reach out to you as well. It's not just in the event that total loss, obviously, there was a fire, you have to make the insurance claim, but you have this other questionable situation that arises and you're unsure. See, in my instance, Andy, I had like a fire next door to the house. I thought, oh my God, that somehow must've destroyed... they had a little bit of like soot, the tenant. I called public adjuster and it was one of the little guys and he like filed this claim. He had like a \$2,500 deductible and it was like \$4,500 in like cleanup, that never ended up getting done. We couldn't schedule with the tenant. I had to evict the tenant. We didn't even do the cleanup, but I got the cheque and then my insurance went up by 20, 30%. And I never knew that that was going to be a risk.

I'm hoping listeners who maybe didn't know that filing the claim could be a risk as well, especially now we're in a insurance market. I don't know if bubble is the right word. It's sort of the opposite of a bubble where all the insurance premiums have gone up, and there's a lot of insurers who are simply backing out of markets and property types. So your risk of being uninsurable in this market, it's never been quite this tight, at least in my 15 years of being in real estate. To circle back, that's sort of a service that you would offer listeners if they're thinking about a really large claim, but unsure whether that risk to their current policy is worth it. That's something you'd be able to advise.

**Andy:** Right now we're working on a program where we're going to be able to have like a yearly fee with investors that we look over all their policies, we inspect their buildings, and then that fee, if they do ever have a claim, would get subtracted. So we're still working out the fine details of that. But in the meantime, because we don't, we inspect properties, we inspect policies, we look over and interpret policies all the time. If you called me today and said, "Andy, I have a couple of properties, can you look at my insurance documents? Can you look at my buildings?" 100%, all the time. That's how we've built our reputation.

When it comes to premiums, it's illegal for them to raise your premium or drop you because you had a claim. They'll drop you even though you have, but they'll never say it's because of the claim. Tactically, premiums go up every year. If I look at all the insurance premiums we have, they just keep going up every year, and some of the properties we never had a claim on. Then when it comes to claims on our lake house, we had two storms last year that went through and we filed two claims. Now the whole house is basically brand new on the outside. I would think they would be more than happy to insure me now because everything is new, everything is better. Now I had a hard time getting insurance because I had two claims on that property, on the same property.

**Dan:** You had a claim, the loss run history will follow that property, right?

**Andy:** Yep, exactly. It's that property. It's not even just you, it's that property because everything else is fine. All my other buildings, it's just that property, which makes no... [crosstalk] Go ahead.

**Dan:** I bought a couple that had losses I didn't know about before and they were just a nightmare to get insurance on them. I fixed the fire damage and it followed the property, not me for sure. The yearly fee program to review insurance stocks is interesting because a lot of brokers will offer that, "Hey, I'm like shopping for insurance. Let me take a look at your, make sure all your claims are in line," but can I really trust the other insurance broker? He's trying to sell me a policy. I don't know the business and he's... you know.

**Andy:** We have a love and hate relationship with brokers for the fact that most of them think they know everything when it comes to claims. They've never worked a claim or never seen the claim process, but because they sell policies, they think they know the claim process. The claim process and the claim handling is 100% different from selling policies. They're selling a policy based on a premium. They're trying to sell you something. They're trying to say, "Dan, I got you covered here. It's only 5,000 a year," but we're looking at it from a perspective of loss mitigation of if you have a fire or you have water damage, are you covered for this? If you have this, are you covered for this? If this happens... we look at all the little stuff because we see all of it. We also know which carriers pay claims better. When I say pay better, I mean, pay faster, work claims faster, are easier to work with, have more experienced adjusters. We know that aspect.

Those brokers that sell it don't know because they've never seen that side of the business. So we're looking through a different lens and then we're looking through a lens of an investor as well. What are you paying? Is there another insurance that you could get the same coverage for less? We'll advise you about that because again, the whole program that we're trying to make here is to get investors prepared and prepare them for losses before they happen. They might never have a loss, great. But if they do, they'll be prepared and there'll just be in a much better scenario.

**Dan:** You're a disinterested third party because you're not going to get the commission from selling the policy, but you are an interested party and your interest will be in line with the insured if there is a loss later. So in a sense, you're on the right side of the table to make that evaluation.

**Andy:** The reason that we wanted to do this, Dan, is we love working with investors, we love reading policies and seeing what's there, what's not covered, and kind of what's in there looking at buildings, but it's to get involved as soon as the claim happens. Because the problem is we get so many investors and lenders that call us when it's too late, when they've already called the claim and we're just dealing with the claim and an investor, and whoever called the claim said we had a tree root damage. The actual cause of the damage was there was a clog in the pipe, which technically falls under the full policy limit, but the claim is now denied and we can't overturn it. It's got to go to an attorney because whoever called the claim in said the wrong thing. We're trying to help them get in there before, so then we're calling the claim in, we're inspecting it before they do anything, before they even call the insurance.

**Dan:** I think you touched on it before, but I'm feeling like the biggest underlined point for me is

if I have the loss, even if it is a total loss and it's a fire or a tornado or whatever the case is, it's smart to call the public adjuster first before the insurance company.

**Andy:** 100%, because the first thing we're going to do is look at the loss, make sure this it's covered, look at the policy, what endorsements. We're going to do everything to make sure. These days, it's not only maximizing the claim and getting every penny that you're owed, it's just getting the claim paid and making sure it's not delayed or worse denied. Because a lot of claims we're getting is denied. I'll tell you a claim. We have an insured that's with legal right now. They were selling a building. They had their primary residence. They put it up for sale and then they went to their son. They had another home across the street that they moved in with their son. So they took all their furniture out because they were selling the home. The home caught on fire. That loss got denied because they called that home, that it wasn't their primary residence. They live there. It's their primary home, but they weren't living there when the fire happened because they were selling the house. So they cleaned it out and they were living across it, literally across the street with their son who is their house. They were renting. It was their rental. Their home caught on fire and it got denied because they didn't call it a primary residence.

If we were involved, this would have never happened because I know that what to say in this, but because they were so honest and again, it's not about lying, but when you're too honest, you tell them too much, they just as like, it's not their primary. They're not living there. Like they checked all the boxes and they denied the claim.

**Dan:** That's insane. I think conventional wisdom is called the insurance company first, like immediately when there's a loss. And that's why I think it's just a 180-degree, turn that conventional wisdom on its head and call a knowledgeable adjuster.

**Andy:** You can have a private adjuster on your team before, like even maybe you never have a loss, but have one on your team to interview on and have them look at your policies and know what kind of real estate portfolio you have, what properties you own. That's the benefit. You want to have one before, because then if something small happens, maybe there's a hailstorm. I would come up and say, "Hey Dan, we looked at your properties. Everything looks good. No damage. You're good to go. No reason to file a claim."

**Dan:** As we get to the top of our episode here before I switch gears, is there anything else I forgot to ask, maybe just didn't have the knowledge to ask, that might be of interest to the listeners?

**Andy:** No. You hit the main points. I think we went over all the main stuff.

**Dan:** So you're a successful business owner, real estate investor. Do you have any books, other sources of inspiration, podcasts that you might want to share?

**Andy:** Of my own?

**Dan:** Meaning like in general, stuff that's been impactful along the way.

**Andy:** Yes. Some of the books have been *The Alchemist*, *Rich Dad Poor Dad* is still one of my favorites. *The Alchemist*. There was a book called *Slight Edge* that had a huge impact on me. It's a great book. It's weird. It's so simple to read. Sometimes I read it over and over again because it's just so simple and it's really well put together. *The Alchemist*, *Rich Dad Poor Dad*, and then Tony Robbins was a big factor. Jim Rohn, out of all the YouTube motivational, if you're into that stuff, the one person that stood out always to me was Jim Rohn, just how well he's self-spoken. Then Tony Robbins is a little bit louder. When I got to see Tony live, I was pretty young still starting in business, and I just kind of didn't know what direction I'm going and I didn't really have that much money. I really wanted to see him. I'd know the tickets to see him up front were like three times more. I don't know how I got the money, but I got the money to sit up front. I remember sitting next to all these like business owners and I'm like, all these guys are like next to me, they're like the biggest importer of produce from like Mexico. I'm like, all these guys have all this money, what am I doing here? I don't even have money. If they have money and they're here learning and trying to see, I'm like, wow, that was a big eye opener for me that time.

**Dan:** So, the crown jewel of wisdom, Andy, if you could go back and share with yourself, let's say just as you were buying that first duplex, knowing everything you know now, what would you go back and share with yourself then?

**Andy:** When it comes to real estate, the only thing I would go back in real estate and tell myself is buy more property. I wish we bought more. When it comes to business, I would say, I didn't know business that well and I learned business on the fly and I made a lot of mistakes. I would have slowed down and definitely watched how I spend money and on what.

**Dan:** Where can listeners get more information? Do you have any resources, websites, things of that nature that you'd like to share?

**Andy:** Yes. They can check us out on [AllCityAdjusting.com](http://AllCityAdjusting.com). For your listeners, I'll leave them with my direct line. If any of your listeners ever want to get ahold of me or have questions when it comes to real estate or public adjusting or help with their claims, they can reach me at 708-655-4186.

**Dan:** My final question, Andy, what is the kindest thing anyone has ever done for you?

**Andy:** The kindest thing anyone has ever done for me? I actually saw that in your email and I was thinking about it. I'm like, man, the kindest thing anyone has ever done for me? Let me see. It's hard. I was trying to think about that. I was blanking, actually. You got me on that one. I might have to skip on this one. Then I'm going to have to get back to you on this one because this one I might have to just share with you with an email because I can't even think.

**Dan:** All right. We'll take that for now.

**Andy:** I'll have to get back to you on that one. Not that people haven't done kind things. I was at Starbucks the other day and they wrote on my cup, have a great day with a smile. I thought that was pretty nice.

**Dan:** It's funny. It can be hard to pick the kindest thing because, I think a lot of us who've reached, everyone who's living life, has had people do some kind things along the way. So to put one in front of all the others might be unfair, perhaps, right?

**Andy:** Yes. Every day there's kind things that happen to me. To pinpoint one, one of my employees, I'm a big office guy, and I remember for one of the Christmas, she got me a mug that says the best boss ever, like in the office, which I was like, "That's cool." Sometimes the little things are, there's so many of those I could pinpoint. If I ever think of one big one, I'll definitely get back to you.

**Dan:** That'll work. Andy, I appreciate you coming on the show. I got a couple of pages of notes here, and I learned a lot. I've been doing business for a little bit of time here and consider myself okay at it. But man, the call the adjuster before the insurance company, what a huge, huge piece for me. In closing, I really appreciate you taking out the time and coming on the show.

**Andy:** Thank you so much for having me. Again, don't forget to mention that picture you got in the back of the [inaudible].

**Dan:** For the listeners who are like not watching the video, there's a dog behind me on the wall here.

**Andy:** Not a normal dog.

**Dan:** It's a famous dog, actually. The most famous TikTok meme dog, I think it was from 2023. It's that guy right there on the wall that I just had to have. But actually, I put him up, Andy, because we had our dog pass away, I think, October, right before we headed to Florida. We're back in Chicago now. A English Springer, he had brown liver spots, I guess, on him. But earlier this week, we have a new English Springer who we're going to pick up tomorrow. So it's at my fiancé's aunt's house, and we're like really excited. So a little bit in celebration for the new dog, we have this guy here on the wall.

**Andy:** That's awesome. I'm sorry about your other dog, and congrats on the new addition.

**Dan:** I appreciate it, Andy.

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