JANUARY 2021

Peak Possibilities

Your Monthly Guide to Informed Real Estate Decisions

ICOR™
Investment Community of the Rockies
COLORADO'S REAL ESTATE INVESTORS ASSOCIATION

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The Torch is Being Passed; Will You Bare the Torch to the Next Generation of Investors?

By Troy Miller

Have you ever thought, if hindsight were 20/20, I could have avoided that mistake...that deal wouldn't have cost me so much...or why did it take me so long to get started in the first place? For whatever reason things didn't originally work out the way you thought or intended. And for many of us, myself included these are great lessons, well, as long as we actually learned something and aren't going to make the same mistake again.

Join ICOR Jan. 13th from 6-8 pm "Predictions & Prescriptions" Expert Panel: Discussion On 2021 CO Investing

Over the years I have had a good deal of educators, mentors, and subject matter experts come across the stage at ICOR. Many investors have wondered, how did they get so smart or adept to real estate investing? And specifically, who did they learn from...and who was their mentor?

When you really think about it, how you invest in real estate and the knowledge you acquired to increase the rate and pace most likely came from someone much older and wiser, and experienced. Real estate investing as we know it today, actively started during the 1970's and 1980's. In fact, the idea of ICOR as a real estate investors association came from that same period since information and knowledge was shared and acquired differently—of course without the advantage of technology that we have today.

The strategies that came out of that group of investors was highly creative and have often been revered as the "legends" of real estate. Those legends went on to teach the next generation of real estate investors, including the likes of Colorado investors, Demetri Fefes of Denver, or Michael Jake of Colorado Springs who we highly respect as some of the most successful and creative investors we know. Those two have gone on to share that knowledge with many of you!

For many years, I had wished that I could find a way to bring theses Colorado investors' mentors to the stage at ICOR, but because for many reasons including logistics, demand, and well, they are no longer spring chickens, we weren't able to make that happen. Fast forward to the crazy year 2020 when it wasn't necessarily technology that made it happen, but a global pandemic. This hopefully once in a lifetime pandemic event has helped free up everyone's time and technology (zoom!) are helping bridge the logistical gap to showcase, quite possibly, the event of a lifetime!

ICOR's Interviews with ICONs, coming up at the end of January allows us to sit in as a fly on the wall to hear those that have taught us interview their mentors—in what might have been a conversation held in private between two individuals who highly regard and have great esteem for one another.

In these conversations, we focus in on three points:

1) What did you do right?
2) What did you do wrong?
3) What didn't you do that you wished you would have done?

While those may seem like remarkably simple questions, the answers may surprise you with how enlightening and comparable to your very situation.

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Show Me Your Friends and I Will Show You Your Future!

A while back, I was at a real estate investing event and my dad decided to tag along for a long weekend of educational training. The event was chock-full of strategies and case studies, but the one thing that my dad took away from that event was a quote from the speaker, *"Show me your friends, and I'll show you your future!"*

That one statement gave him reason to pause and question just why he might not have achieved certain things in life, and he began to take inventory of the people he surrounded himself with. He began to think that if he had focused on what he wanted the most, financial freedom, that perhaps connecting, networking, and keeping proximity to those he admired the most, without a doubt would put him on a completely different trajectory.

This in return got me thinking. I have worked with REIAs for over 12 years across the country. Networking is and always has been a big component to both AZREIA and the industry. But when we think of the word equity, we often think about cash available to partner in a deal, or the appreciation that we build into a property through rehabbing or the increased value of a rental over time, but have you ever thought what is the value of your "Social Equity?"

This is a term I started using being a "connector" and REIA leader, to move past the tired and cliché use of the word networking and every business card-ninja you meet slinging cards just to get their name out there. My hope is that you will stop networking and start building your own Social Equity!

So, you might be asking, "What is and how is Social Equity different than networking?" Social Equity is a combination of your reputation, your network — people you know and who know you, and the strength of your connections. Social equity is an asset that we all have and only a small percentage of us utilize to its full extent.

If you lost everything, needed a job, money, and a place to stay, do you have people who will help you? Social equity is your safety net in times of trouble. It's currency in good times. And it's the key to creating an environment where everyone, not just you, benefits.

Social equity is built by giving. Giving your time, your resources, your attention. Most businesspeople know that giving creates a feeling of obligation in the other party: "I help you on this, you help me on that." But that's where most people's thinking stops. And that's the point where they fail.

Most people look at life as a pie that is divided up. Some people get more, some people get less. But there is only so much pie to go around. But what if you made a bigger pie? In fact, what if you made the pie bigger? Do those two sentences sound like I am asking the same thing? Look again. A bigger pie is still a finite amount. Making the pie bigger is a continuous process.

My challenge to you is to STOP NETWORKING! START BUILDING SOCIAL EQUITY! ***Purposely.***

The Torch is Being Passed; Will You Bare the Torch to the Next Generation of Investors? *Continued from page 1*

ICOR has gathered the best of the best, and literally a "who's who" of real estate investing that spans over *400 years of experience in creative deal structuring, buy&hold investing, asset protection, tax planning, and the meat and potatoes of investing strategies.*

Our interviews include:

- Pete Fortunato interviewed by Bill Cook
- John Schaub interviewed by Demtri Fefes
- Dyches Boddiford interviewed by John Hyre
- Lyle Wall interviewed by Jeff Watson
- And more

You may have heard me say that if you don't know these names you are missing out on the most creative and successful investors I know. This is a dream come true for me and for the ICOR community! My message to you is... if you are serious about investing or if you are planning to continue investing during these fluid times this is an invaluable use of your time. In fact, the stories, and lessons to be learned from this event will carry you through your days as an investor until you are ready to pass the torch onto the next generation of investors.

On a more personal note, I think for posterity sake, it is my responsibility to ensure that as many people as possible get the opportunity of the lifetime to hear "straight from the horse's mouth" to carry and practice this timeless investing knowledge.

Don't miss or squander the opportunity of a lifetime!

Join ICOR at our Interview with ICONs, Saturday, January 30th from 9 am to 5 pm, register now at www.icorockies.com/events/

January @ ICOR

Monthly Meeting | January 13th 6:00 – 8:00pm

"Prescriptions & Predictions" Expert Panel: Discussion on 2021 Colorado Investing

What does it mean to think at the margin? It means to think about your next step forward. The word "marginal" means "additional." The first glass of lemonade on a hot day quenches your thirst, but the next glass, maybe not so much. If you think at the margin, you are thinking about what the next or additional action means for you.

In today's real estate market, there are many things that will change at the margin. And changes at the margin can have a significant impact on the use of real estate. As we move forward into 2021, we are dealing with certain uncertainties, and why we are gathering Colorado's brightest and most successful investors for **Prescriptions & Predictions Expert Panel: Discussion on 2021 Colorado Investing.**

Throughout 2020, you have heard us say that we certainly did not expect Colorado real estate to be nearly as hot as it was during a pandemic. But one of the most significant themes that we have heard from market experts was that COVID-19 did not create new trends BUT accelerated those underway. And at varying rates as well as in some new directions. It also spawned some new trends while stopping other existing trends dead in their tracks. We gather a panel of "Who's Who" of Colorado real estate and key trends, including:

- Working from home and the new office dynamic
- Suburban migration
- Supply chain and demand
- State and municipal policy
- Affordable housing issues
- Office & retail
- Student Housing
- And more

Join ICOR as we gather the brightest and most successful Colorado investors for a panel of "Prescriptions & Predictions" on navigating this uncertain and fluid time in real estate.

Other ICOR Events in January

January 16th
TrueNorth Planner Group Session

January 30th
ICOR's Interviews with ICONs

Every Friday (January 8th, 15th, 22nd & 29th
Friday Morning Networking Real Estate Exchange

Upcoming Special Event

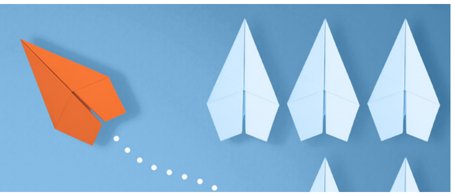
February 6th
Leveraging Buy & Hold Investments to Meet Your Retirement Goals

February 27th -28th
ICOR's 2021 Out of State Investing Summit

For full details or to register, visit www.icorockies.com/events

Service	Contact/Business	Phone	Email
Contractor	Dillon Gilster | J & K Roofing	303.425.7531	dillon@jkroofing.com
Contractor	Vern Robinson | Ridge Construction	303.881.1169	vern@ridgeconstructioninc.com
Financial Planning	New Direction Trust Company	877.742.1270	info@ndtco.com
Financial Planning	Jason Power | Unbridled Wealth	303.957.9175	jpowers@unbridledwealth.com
Insurance	Eve Hoelzel | Farmers	970.970.8019	eve.dstansfield@farmersagency.com
Lender	Chuck Townsend | Forrest Financial	303.877.3221	chuck@forrestfinancial.com
Lender	Greg Osborne | Bridge Capital Resources, LLC	303.475.5873	greg@bridgelending.com
Lender	Justin Cooper | Pine Financial	303.835.4445	Justin@pinefinancialgroup.com
Lender	Kim Hubbard | Merchants Mortgage	303.898.1366	khubbard@merchantsmtg.com
Lender	Mark Corbett | Nat Lend	720.390.0473	mark@natlend.com
Lender	Tyler Ideker | Indicate Capital	303.567.6333	tyler@costfund.com
Lender	David | Neilson | Boomerang Capital Partners	480.779.9779	David@boomerangcapital.com
Property Management	Cory Rasmussen | Atlas Real Estate	303.242.8980	info@realatlas.com
Property Redevelopment	Derek Marlin | Elevation Invest	720.545.0490	derek@elevationinvest.com
Rehabber	Craig Dillion	719.661.8848	craigdillion@me.com
Tax Planning	Stone CPA & Advisors	970.668.0772	info@coloradotaxcoach.com
Title	Bill McAfee | Empire Title, Colorado Springs	719.499.0968	bill@etcos.com
Title	Debbie Myers | First American Title	970.658.4702	DMyers@firstam.com
Wholesale	Kyle Rutherford | Networth Realty	720.379.4920	kyle@networthco.com

ICOR PRESENTS
2021 Out of State Investing Summit
SATURDAY, FEB. 27TH & SUNDAY, FEB. 28TH



"Live where you want to live, but invest where the numbers make sense."

Ever thought about investing out-of-state, but haven't pulled the trigger? Well, one thing is for sure—you cannot go into out-of-state investing alone. We have put together an amazing experiential learning lab AND marketplace to help investors, just like you, build their network and learn about the hottest markets all over the country. Don't miss your chance to hear directly from our national panel of experts, as well as insights from our local market experts to drill down to the WHAT and the WHY so you can learn HOW and begin immediately investing out of state!

At this Two-Day learning Lab and Marketplace, you will LEARN the following in 3 of the hottest emerging markets around the US:

- Finding & Analyzing Deals in "New-to-You" Markets
- Boots on the Ground vs Virtual Due Diligence
- Investment Goals — establish investment criteria
- Risk: mitigated or "throw the dice"
- Create your niche
- Market research:choosing areas/locations/neighborhoods
- Quick Calculation Formulas
- Determine Exit Strategies: DIY or Turnkey

Also, you will see and PRACTICE for yourself:

Running Numbers on Market Case Studies of properties that have been done in each market to LEARN:

- Acquisition costs for good, better, best inventory
- Holding costs
- Nuances of the market, codes, laws, and regulations that will affect the bottom line.
- Rehab costs for the market and how they vary from neighborhood to neighborhood
- Running comps to determine rents and after repair values

Early Registration
$75 for members / $125 for non-members

Mid Registration
$99 for members/ $149 for non-members

Regular Registration
$125 for members/ $175 for non-members

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Evaluating Cracks

It may be hard to imagine at this point in the year, but spring is coming to Colorado, and soon we'll be looking at more cracks. As anyone who has been around concrete knows: concrete = cracks. Concrete expands and contracts over time and moisture and changing temperatures affects cracking, and Colorado has plenty of that. Most foundation cracks are cosmetic, although size matters and larger cracks obviously indicate more serious problems. When you may have insufficient time evaluating a property, it is helpful to know not only which houses to choose but also which to avoid. The purpose of this article is not to make you an expert at evaluating, diagnosing or repairing foundations, rather to suggest homes that may need much more extensive repair and therefore pass on. As Warren Buffet has said: "The first rule of investment is don't lose money. And the second rule of investment is don't forget the first rule. And that's all the rules there are."

The best place to evaluate the foundation is the basement or crawl space. Cinder blocks are chosen for building foundations and walls due to their strength, resilience, low weight and ease of construction and are the most common type of foundation wall in Colorado in homes built 10 or more years ago. Above is a typical cinder block basement with common crack types and issues indicated. Let's look at some types of foundation cracks that can show up, from scariest to safest, and what they mean.

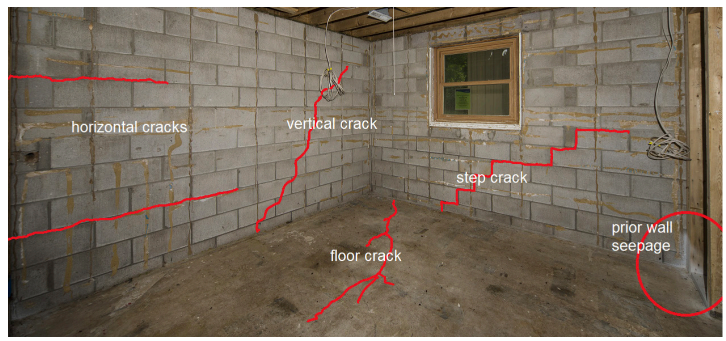
Horizontal cracks: These are problematic. Horizontal cracks indicate shear pressure from part of the structure being pushed along by the surrounding earth at a faster rate than another part of the structure and indicate larger problems. In all cases, horizontal cracks are probably worth getting evaluated professionally and may make the property a pass for all but a rehabber with the experience and resources of time and money to deal with this type of issue.

Vertical cracks: These generally appear a short time after construction and are caused by normal shrinking and settling. Generally, these are not a significant concern although cracks that are significantly larger at the base than at the top are not good and vertical cracks along with horizontal cracks is really not good.

Step cracks: These are common especially around windows and center beams and frequently come in pairs. As with vertical cracks, they are caused by concrete shrinking and aging and are of little concern unless the size varies top to bottom and/or are paired with horizontal cracks.

Floor cracks: Basement floors are especially susceptible to cracking as they are poured below the frost line and generally without expansion joints. Basement floor cracks are to be expected and of little concern except if the crack begins to heave, separate and/or it changes significantly in size from the origin (usually a wall).

Paying attention to cracks and properly evaluating them can help you avoid unpleasant surprises with the budget and timing of your remodels.



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Compounding Interest and the Application for the Infinite Banking System

Einstein reportedly said that "compounding interest is the Eighth Wonder of the World. He who understands it, earns it. He who doesn't, pays it." Whether this quote actually came from him is irrelevant when we look at the truth behind the statement. First let's review how compound interest works, then the negative and positive applications.

If someone offered you $1,000,000 up front or $0.01 that doubled every day for a month, which would you take? If you don't understand power of compounding, the million dollars seems like the logical choice. However, $0.01 that doubles every day equals $5,368,709.12 on day 30. If only we all learned how compounding applies to real life before finishing high school.

Americans undeniably have a debt problem, and I'm not talking about the good kind. Chronically charging life on credit cards and procrastinating payment plans, means that 50% of Americans pay 15-29%+ interest... daily, and 96 million people cannot pay more than the minimum requirement (CNBC May 2020). Yes, credit card interest actually compounds daily, the APR is not an accurate portrayal of what's owed. Any balance not immediacy paid off to play the points game, actually works against our finances each day we don't pay. If this is your situation, don't despair, but also don't delay. We need to talk. Yesterday.

For other Americans, we apply compound interest in our favor through retirement plans. If you're familiar with the Rule of 72 and start investing in your twenties (72 divided by interest rate equals how long it takes for your money to double), you could have millions saved for retirement. However, many of us are not those people who started investing early. Especially if you finished college during the great recession.

There is a third application. Compounding interests, plus a dividend, activates inside a properly structured whole life policy. This is the magic of what we call infinite banking. The magic also means that you are able to use your money while it grows, unlike retirement plans that have a penalty associated with touching the money before you're of age. If you are in the disciplined minority who repay what you use with interest, you'll have the opportunity to both compound and grow your money inside a policy, as well as use it for investment real estate, or a start-up company, etc. Why repay yourself with interest? Because compounding. The gross cash value of your policy compounds while you use or invest the net elsewhere. It feels like magic but really, it's just math.

Tapping into the power of compounding interest doesn't require Einstein's rocket science. However, it does require action. Of course, those who begin in their twenties will be well ahead of those who start in their fifties, but that doesn't mean you shouldn't begin somewhere. We believe there is a strategy for everyone and it's our job to apply compounding interest in your favor. Whether you're struggling with bad debt, or want to turbo-charge your finances, let 2021 be a year of activating the math that works like magic. Book an appointment with us today.

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What Colorado Investors Need to Know About the Repeal of the Gallagher Amendment

While no immediate effects are felt, the recently repealed Gallagher Amendment will change real estate property taxes.

As investors and property managers, we continually evaluate our local economy and governments, providing resources for both ourselves and our clients. The recent repeal of the Gallagher Amendment has far reaching consequences for real estate investors big and small, commercial and residential.

In 1982, Colorado citizens modified the state constitution to provide relief from rising tax bills on their residences. This modification was known as the Gallagher Amendment. The amendment fixed the proportions of the tax base between residential (45%) and commercial (55%) property. When residential property increases in value to a greater degree than commercial, then the tax rates paid by homeowners falls (Note: residential property includes single-family, small multi-family, and commercial multi-family).

The Gallagher amendment also fixed the assessment rate of commercial property at 29% while allowing the residential assessment rate to fluctuate to maintain the proportions above. At the time of implementation, the residential assessment rate was 21%. Today, however, the residential assessment rate has fallen to 7.15% while the commercial assessment rate has remained 29% because residential property values have increased far more quickly than commercial property values.

As a result, Colorado has some of the lowest residential property taxes in the country.

While the history and mechanics of Gallagher have briefly been explained, the amendment is no longer applicable. On November 3rd, 2020, the Gallagher Amendment was repealed. As part of Amendment B, there is a moratorium on all assessment rate changes for both residential and commercial property for 2021. No need to panic!

That said, 2022 and beyond may be another story...

Under Colorado's constitution, we have a unique tax system, called TABOR, an acronym for the Taxpayer's Bill Of Rights. As a result of TABOR, any and every tax rate increase for commercial or residential property requires voter approval. Therefore in 2022 you will almost certainly see ballot issues increasing the assessment rate of property taxes, both residential and commercial. How the voters will decide is unknown...

Based on this information and change to Colorado property tax law, the canny real estate investor will prepare for the unknown by saving extra cash in 2021 to account for the two increased costs of ownership. First, increasing assessed values of property. Second, increasing assessment rates for residential property and possibly commercial property.

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Happy New Year — But!

The new year is here and most of us cannot wait to get moving into 2021. If in November you attended the presentation by Tracey Wilson (from IXP 1031), you learned about the economic and political issues facing our nation. If you missed it, you could check it out at https://bit.ly/3nC0Cf0. Maybe you caught the recent forecast by Rich Wobbekind, Associate Dean and Economist at the University of Colorado Boulder Leeds School of Business, which provided insight into Colorado's different business sectors- *Loveland Reporter-Herald: COVID casts long shadow over Colorado economic forecast for 2021.**

No matter where you get your forecast, the same issue appears - unknowns that exist make forecasting difficult. Combine these unknowns with pending tax changes, and many variables emerge which complicate running your business. Focus on the one expense that directly affects you - Your 2021 tax obligation, which directly reduces your profit and your ability to accomplish your goals.

You might think it is January and I have plenty of time to look at my tax bill, it's not due until next year. But you really don't. As they say on real estate contracts—"time is of the essence". No matter how good your tax preparer is, if you bring them a box of receipts on April 15, it will be too late to save you money. Tax planning is the only legal way to reduce your taxes and save cash, it works, and you can measure the results of the cash saved.

Along with saving you cash, tax planning assists you in preparing for an IRS examination. A detailed tax plan will document why you can take the deduction. It should refer to the IRS code (the tax law), IRS revenue procedures (their guidelines to follow the law) and tax court cases (which sets boundaries on interpreting the law). Tax Planning provides the documentation of what, when, where, why and how.

Does your tax preparer provide you their recommendations in writing? Does he or she calculate your cash savings? No matter how much you like your preparer, you should heed President Ronald Reagan's advice when signing the Russian missile reduction treaty—"Trust but verify". For those looking to verify the effectiveness and efficiency of their tax planning, a Discovery Session is just the tool to get that second opinion. If your doctor proposed to perform brain surgery, you would want a second opinion; Isn't your financial health that important too?

Don't let these forecasts get you down. No matter what the 2021 holds for us, one thing is true: Implementing a detailed tax plan will bring in extra cash to help you accomplish your goals. Let Stone CPA & Advisors assist you in getting your new year off to a good start with a Discovery Session.

Join our free Community Q&A every Thursday beginning 10:00am MST or ask for a Discovery Session by emailing info@coloradotaxcoach.com. May your 2021 be awesome.

**https://www.reporterherald.com/2020/12/07/covid-casts-long-shadow-over-colorado-economic-forecast-for-2021/.*

NEW DIRECTION TRUST
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Repairing and Maintaining Property Owned by an IRA

We have discussed various ways you can invest in real estate using retirement accounts such as 401k's, IRAs and Health Savings Accounts, and even combinations of these and other traditional financing sources (bank debt, non-retirement capital, etc). Now we are going to explore some key considerations in maintaining a property once a retirement account is an equity holder in the asset.

The most important consideration to remember is that the IRA is the owner of the property, not the individual. As such, the IRA needs to be responsible for maintaining the property and expenses associated with it. For example, the IRA owner and anyone considered a "disqualified person" cannot invest "sweat equity" to maintain or improve the property. "Sweat equity" includes any type of physical labor like demolition, painting, installing fixtures, and other activities. The IRS views this as contributing to the retirement account, potentially bypassing the annual contribution limits, and therefore prohibits the activity.

How then can repairs be made? The IRA owner must hire a non-disqualified person or company to perform the repair or maintenance and pay for the service using IRA funds (not personal money). Using personal funds would be viewed as making a contribution to the tax-advantaged account.

Furthermore, fees related to expenses for the property, such as property taxes, insurance, utilities, and HOA fees, must be handled in a similar way and paid for from the IRA itself. To simplify bill payments, New Direction Trust Company clients can pay bills online using our client portal.

Another important consideration is the way your IRA is notified and billed. Be sure to list your personal address with the county treasurer's office for tax notifications. If tax notifications or payments due are sent to the IRA custodian, individual account owners may not see them in a timely manner. Similarly, insurance statements, HOA notices, and utilities should be sent to an actively monitored address.

Homeowners insurance deserves special attention. The IRA should be named as the "insured" entity on the policy. Since some insurance companies will only list an individual as the "insured" party, it is acceptable to list the IRA owner as the insured party as long as you also name the IRA as the "loss payee." That way, in the event of a claim, the insurance company must pay out to the IRA, NOT to the IRA owner.

Enough about expenses—what about rental income? Any type of income generated by the IRA-owned property needs to be payable to the IRA and NOT the IRA owner. Whether you are managing the property personally or have opted for a property manager, be sure to have any income paid directly to the IRA to maintain your tax advantage. NDTCO accepts electronic payments by ACH or wire, as well as physical checks.

Real estate investing using retirement accounts can provide great portfolio diversification for the owner. However, there are a few principles and rules to keep in mind, since the account itself is the owner of the property. If you have specific questions, feel free to learn more at ndtoc.com or contact us directly at (877) 742-1270.

ELEVATION INVEST
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Sure, Your Rehab Has a Good Foundation, But Do You?

We here at Elevation are excited to provide value to the ICOR community through this monthly newsletter. Our primary company expertise and focus is on property redevelopment or "Fix & Flip" as many call this business vertical. Each month will include a deep dive into various aspects of this key real estate investment strategy from steps A to Z. ELEVATION's mission is to provide full circle value and wealth generation to our employees, clients, and business partners. Our process starts with setting up your personal and financial house to achieve any level of success from rehabbing your first project to running multiple projects at a time in various markets across the country.

Much like the properties we transform, building on a solid foundation is key to success. Looking back at 2020 can be a daunting task for many but it's critical to operate out of a growth mindset instead of a scarcity mindset. Many have faced challenges and tragedy in the current environment due to COVID so I don't want to minimize the impact many have felt but moving forward regardless of circumstance in a growth mindset will help everyone make decisions from a position of strength and set you up for success in 2021.

One of my goals this past year was to double down on reading personal development, business, and investing books. I just finished the classic: *Think and Grow Rich by Napoleon Hill*. While many have surely read this classic, I'd encourage you to go back and sit with this fantastic book. Hill spent 20+ years collecting success strategies from the brightest business and civic minds of the time from Edison to Carnegie. One common theme was to focus on what is in one's control and not let external forces derail our path to success. It was striking to see how many parallels there were when the book was released in 1937 as the country was coming out of the Great Depression and many had lost their way mentally, financially, and socially. A timely takeaway of this book was the opportunity which lay in front of an individual if they chose to focus on positive mindset and developing their "Master Mind" group. Take this time in 2021 to surround yourself with family, friends, and business associates who will help to build you up and support your attainment of success regardless of scale. We as real estate investors and professionals have another opportunity in front of us just like Hill's readers did in 1937 as a new way to invest and run our business unfolds in the next few years. The ELEVATION team is here to offer our support and ideas as a part of your Master Mind in the coming year!

We at ELEVATION are tremendously excited to be a new strategic partner with ICOR. We look forward to helping fellow investors and strategic partners in the coming years. Our "door" is always open so please reach out for anything we can do to add value to your world!

FARMERS INSURANCE
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Property Claims: Lessons Learned in 2020

The Covid-19 pandemic of 2020 had many effects on the insurance industry.

Shortly after the Covid-19 stay at home orders began as well as the shutdowns of many businesses, most businesses filed claims for "loss of business income" through their property insurance policies. As of now most, if not all, claims have been denied due to the contract language that states for the loss of income to apply, the insured needs to have "physical damage" to the business or structure. This did not happen when: 1) The authorities restricted or shut down use of the businesses. 2) Most policies carry an exclusion for virus or pathogens. This is still an ongoing situation with businesses and insurance carriers that will take time to interpret the policy language per policy.

Another change to the industry occurred with how claims were investigated and paid. In the past, a claim would be filed over the phone or website portal. A claims adjuster would contact the insured and make a physical and in-person inspection of the claim or damage. As the authorities ordered shutdowns, the industry relied more on insureds to take pictures and submit estimates as well as independent third-party contractors. The third-party contractors adapted technology for a new "virtual claims" platform. This also included using drones for exterior inspections for new business and claims management. The adjuster would then manage the claim and review invoices as well as reimburse for payment to the insured and or the contractor.

Upgrades in technology for contractors was also needed to work efficiently with the insurance company. Some of the changes that happened with Covid-19 were detailed repair estimates, increased pictures, moisture readings, and detailed breakdown of labor and material costs.

Yes, there is good news! It is my opinion that the future looks more promising for an improved insurance claim process experience. Insurance companies need to continue investing in "virtualizing" operations to support agents and their insureds with data analytics and collection for more accurate pricing, claim phone applications, optimizing processes, reducing claims fraud, faster claims settlement and client satisfaction.

Real estate investors will benefit from a more optimized virtual claim experience by reducing the time spent during the initial inspection and the final payment settlement. The collected data will help efficiencies between the claim's adjuster and the contractor. This should then expedite the claims process which will then minimize tenant inconvenience. The Agent will also have an integral role in also being the liaison between the claim's adjuster and the insured. The Agent is needed to help collaborate and relay the insured's best interests with the claim's adjuster.

Overall, while no one could be completely prepared to deal with a pandemic, insurance companies adapted to the current situation and challenges. Carriers will continue to improve their virtual systems in order to keep client retention and safety.

Real estate investors should be asking their insurance agents about their current claims handling process as well as their current policy coverages.

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