

## EPISODE 1088

[INTRODUCTION]

[0:00:0.0] **ANNOUNCER:** Welcome to The Real Estate Syndication Show. Whether you are a seasoned investor or building a new real estate business, this is the show for you. Whitney Sewell talks to top experts in the business. Our goal is to help you master real estate syndication.

And now your host, Whitney Sewell.

[INTERVIEW]

**0:00:01.6 WS:** This is your Daily Real Estate Syndication Show. I am your host, Whitney Sewell. It's that time of week again, where my business partner, Sam Rust takes over the show and interviews our guest. I hope you enjoy the show.

**[0:00:35.5] SR:** This is your daily Real Estate Syndication Show. I'm your host, Sam Rust. Excited to have with me today, Galen Hair. Galen is a published author and owner of insurance claims HQ, a property insurance attorney that operates in more than seven states, including Alabama, Louisiana, Texas, and Georgia. Galen's been rated a Super Lawyers Rising Star and voted one of the national trial lawyers top 100, and his work has been featured in authority magazine, insurance blog, Yahoo Finance, NBC and Fox, among other publications. Galan, welcome to the show today.

**[0:01:11.5] GH:** Thanks so much for having me, Sam.

**[0:01:13.0] SR:** Well, it's very appropriate that we're gonna be talking about insurance, you and I are interviewing in early fall 2021 in the aftermath of Hurricane Ida, I know you're down in Louisiana, and there's a lot of, I think, just misinformation around insurance. I were talking a little bit before and that there's really no bad questions, at least you reassure me of this when we were getting ready for this interview, but insurance is kind of this black box, and I know just from my personal experience, both as a property owner in a single family side, in a multi-family side, the insurance company positions themselves for your benefits when you're out creating a policy, but boy, does that relationship become adversarial the moment you have a claim, I guess if you could just sketch in brief, what does Insurance Claim HQ do. And what need are you fulfilling in the marketplace?

**[0:02:02.1] GH:** Yeah, so Insurance Claim HQ is a law firm at its core, although I like to say that we're kind of an alternative law firm, so what we try to do is take people that have been the victims of natural disasters or fires that have insurance on their business or their home, some kind of real property, and from a holistic approach, manage that claim for them from beginning, hopefully not... But even all the way to trial. So we obviously wanna avoid that, but we have that capability, and I think that's one of the things that makes us unique is in the insurance world, you kind of have the people that can help you before it's time to get a lawyer, and then you have the lawyers and I find that the policy holders, our clients, feel really, really jilted by either of those groups, they can never get quite what they need, so that's what Insurance Claim HQ does is try to provide everything they need.

**[0:02:52.3] SR:** Basically an all-in-one service that can carry you through to trial in the last event that you need to go that direction. (Exactly) So basically what we're talking about here, Galen, in my simple nomenclature is insurance enforcement, we wanna make sure that as a policy holder that if I have to file a claim that I'm actually getting what is owed me, is that a simplified way of understanding what's going on here?

**[0:03:16.0] GH:** Yeah. At its core, insurance is just a contract, it's a contract that you made with the insurance company to pay them and not to lie to them and do certain things if you had a loss, and a contract they made with you to pay you appropriately based on the terms of that policy, if you have a loss. That's fundamentally so simple that people, I think sometimes forget that it's purely a contractual relationship.

**[0:03:38.5] SR:** So there's a lot of different ways that insurance companies will try to minimize maybe a payout or different strategies that they will take... But are there any commonly overlooked clauses, and thinking specifically of multifamily, a lot of our audience here is operators of larger multi-family real estate, do you see anything that's commonly overlooked in writing up these contracts?

**[0:04:00.9] GH:** Yeah, so for smaller multifamily investors, if you have a series of homes, you need to make sure you have the right policy, I can't tell you how often I run into sophisticated investors, but because they bought 30 houses and they manage those from a multifamily aspect, they have 30 homeowners policies, which means they have a zero coverage because they don't live there. Right. I have had to give some of the worst news to savvy business people, they just... When they

bought the home and had an H-02 to or H-03 policy on it, and they just didn't get a new one because it was a good policy and they were worried about dropping it around, that's not the case for... Our apartment building owners are large multi-unit buildings, they don't have that problem, what they do have are exclusions that are very particular to their geography. Okay, and what I mean by that is, sometimes saving a dollar can cost you a million dollars, and in Louisiana, for instance, a lot of multifamily units that have wind damage excluded. Well, if you live in a hurricane area, why would you purchase an insurance policy that has wind damage excluded. The answer is you didn't know, you were just told you could save a few brands on your premium a year, so you got this other policy instead, so you have to read that policy very carefully... That's a Louisiana example, but you'll see earthquake exclusions in California, you see all sorts of things that are specific to your area, because insurance companies are always going to have better numbers than you, so they have figured out what it's worth to them to eliminate a significant portion of their risk.

**[0:05:33.7] SR:** That's really interesting, and maybe if we could go back, 'cause I know there's a lot of people that listen to this show that also are invested in single-family real estate, and I want to make sure we drew a clear distinction there, so you're saying if you have... A number of single-family rentals, you have to have a different kind of insurance project, you can't have... Homeowner's insurance, is that correct?

**[0:05:51.2] GH:** Correct, most homeowners insurance replies that you occupy the property, and if you're not occupying the property, which is impossible, if you are renting it out, then you may have waived your coverage under that policy and they don't even owe you for the premium because you made a misrepresentation to get that policy, you wouldn't intentionally do it, you're not a liar, but as far as the carrier is concerned, you misrepresented the purpose of that policy, so they don't know you anything.

**[0:06:16.5] SR:** That's very interesting. Coming back to exclusions, I know you've mentioned wind, earthquake insurance in California, here at some of our properties in Colorado and in Texas, hail, wind and hail is a big one that I see pretty commonly when you're negotiating that policy upfront beyond just reading through your policy and making sure you understand what's in it, would you have any tips for folks to make sure that they're adequately covered?

**[0:06:40.5] GH:** Yeah, so first of all, you wanna think... You just wanna sit down kind of in a room alone and think about the worst things that can happen to you and you wanna write them down, and you don't wanna be pessimistic for your whole life, but for this exercise, you need to be

incredibly pessimistic. What is going to take me down? What is going to get rid of this property? What is gonna be a problem? That's step one. Step two is you need to either get a lawyer or a real insurance agent, when I say real insurance agent, in a professional that is gonna look out for you, it doesn't care that much about commissions, they're not just gonna try... Does it make an easy sell, they're actually gonna talk to you about what your needs are, and they're going to shop those specific needs... I'll give you an example, ACV versus RCV. Actual cash value versus replacement cost value, replacement cost value is the cost it would take if this building I'm sitting in today burn down to rebuild in actual cash value is the cost it would have taken to rebuild this building in its exact current state.

**[0:07:44.4] GH:** This building 50 years old, let's say it's expected to last 100 years, that's 50% of the replacement cost value, okay, I'm not getting all my money, most people have replacement cost value policies. However, again, I see it all the time with multifamily units, they get actual cash value policies, the reason is very simple, it's 'cause it was cheaper. But the effect is devastating if you have a catastrophic loss.

**[0:08:10.8] SR:** So that's a very fine distinction to our insurance agent, point that out to us in our first policy on a large multifamily is like the answer is obvious once you know the terminology, but having somebody who has that heart of a teacher... That's really important when it comes to insurance. So you describe this perfect real insurance agent, those people don't grow on trees. How do you go about finding that person? In your experience.

**[0:08:33.6] GH:** It's not easy, right? I don't think there's any magic organization that certified these people, maybe they have... And I'm wrong, I can't say, Oh, this person's fantastic, you really gotta interview him, you gotta get a real feeling for them, it helps when they come referred... I'm not personally a big BNI fan, but my partner is in BNI. And she goes on and on about how great it is. And we frankly, hire a lot of people from our Bendigo 'cause they're accountable, they're gonna have to sit in a room with 10 other business people and get trashed by us if they do a bad job, right, and that sounds terrible, but there's some strength to the world of what I call internet shaming these days, right. So you wanna find someone that you think would be willing to sit across from you when you lost everything you had and tell you I got you a good policy, this carrier will take care of you, right, if you don't think they're the person that's gonna do that. And that's not the insurance agent for you, but I don't think there's a magic bullet to find who those people are.

**[0:09:25.7] SR:** So generally people who are in our business, they're syndicating assets, we tend

to be an optimistic brood. I think it's very difficult to be pessimistic and be an entrepreneur, those things don't usually go hand in hand, but as a result of that optimism, We can oftentimes, overlook factors, we can gloss over things, like you mentioned earlier, it's important to be somewhat pessimistic in your outlook, generally, when we go to file a claim, we're gonna assume that the insurance company is gonna uphold their end of the contract, Hey, we agreed to this, I've been paying my premiums on time faithfully for however many years, and I'm just gonna assume that they're gonna hold up their side, but that's often not the case. That's the reason that your company exist, Galan, so when is the right time to at least start taking precautionary steps, Hurricane Ida rolls through, you've got massive damage at your complex, do you make the call to a resource like Insurance Claim HQ immediately? Do you wait and see what the first salvo looks like from property insurance, what's that process look like in a... Maybe an everyday occurrence.

**[0:10:33.2] GH:** Yes, so you make it earlier than you want to make it... And what I mean by that is very simple. If you're a savvy business person, you believe you can handle this, but you can't, and you can't simply because you're not resourced to handle it appropriately, unless you are a very, very, very large real estate investor and have your own claims department processing claims because you have... So many thousands of units that insurance claims have become a monthly occurrence in your life, you are not adequately resourced to do this, you might have a property manager that you say, Oh, they're in charge of the claims... That's cool, okay, but you're outmatched. And the example I always use is a football team to... An insurance company has every single position filled and a huge bench, they have engineers, they send out to go tonight claims, they have independent adjusters, they send out to deny claims, they have desk adjuster estimates down if they don't like what the field adjusters did. They have experts upon experts, they have supervisors upon supervisors, they have computer systems designed to minimize the amount of money they will pay or a 2 x 4, all of these things are set up, they're showing up to the game with every position filled in a stacked bench and the best equipment they could possibly have, and most even savvy business people show up to their claim with themselves.

**[0:11:54.3] GH:** And when you think about it in that sense, I'm from Louisiana. So everyone's an LSU fan. Would you show up and play the LSC football team alone? I mean, probably not, I wouldn't think it doesn't make sense for you, but everyone does it, and they think that one staff member does it, so I'm a big fan of getting the right tools for the right job, you don't have to call someone like me, but you need to call one of my competitors and there's not many, and you need to get them involved early, because the things we do on a claim at the beginning avoid the problems down the road, right. And it's also one of the reasons, by the way, that myself and my

competitors charge in the scheme of things, almost nothing at the outset of a claim, because it's almost no work for me to get your claim paid fully if I'm involved early. If you mess it up, it's a lot of work and then it becomes very expensive, and that's the traditional model of law firms, right, lower 40% of my insurance... Like, How am I supposed to rebuild? No one is taking 40% of your insurance if you get them involved early, they're charging 10%, and if they're doing a good job, they're getting you paid more than enough to re-build, so you're really not out.

**[0:13:01.8] SR:** So I'm glad you brought up the cost component of this, because one other thing that entrepreneurs are famous for is trying to do it themselves, save a buck, keep as much of the pie for themselves as they can, but how does that work? Just at a high level, if we bring someone in early, what is the cost of bringing on a full platoon to your aid when you're up against the insurance companies?

**[0:13:23.0] GH:** Yeah, different states, different models, also different positions, different models, the traditional person people know of as a public adjuster in some states, they work hourly, in some states, they work on a percentage, what we've done is kind of taking that public adjuster model in that lawyer model, same thing, sometimes they work hourly, sometimes they work on percentage, and we've combined them and we work on a percentage, which we work on a low aggressive percentage on the front end with the theory that we can bring our hope to tune in and resolve this case easier. Quicker, so our margins are better. So we don't have to charge that traditional 40%, however, you show up to us six months after the claim and it screwed up, you're paying the traditional Laffer model, and frankly, I'll be honest, we're more expensive than a traditional offer model and litigation, because if you brought it to us that late, you're gonna have to pay more for the expertise we have, which we believe is higher than most law firms, we believe we have a lot more expertise than most lawfirms. So if you want the best, you have to pay for the best is kind of the theory.

**[0:14:19.6] SR:** In rough figures, Galan, what percentage of cases if you're engaged or somebody, a public adjuster, if somebody is engaged, what percentage of those cases go to trial? I would imagine it's pretty low.

**[0:14:30.2] GH:** If we're engaged early 2%, if we're engaged late, it's closer to 50%.

**[0:14:35.1] SR:** Wow.

**[0:14:35.9] GH:** Yeah, so an ounce of prevention is better than a pound of cure, essentially is what we're saying here, there's this whole discussion of reserves, which no one ever wants to have, but it's true. So an insurance company, and when you open a claim, they set a reserve and they set it over and over, they can manipulate it, but once that reserve gets set, it's pretty dug in and that's the amount of money that they're setting aside to pay your claim. If you handle it yourself and you let them set those reserves too low, you're constantly fighting an uphill battle, so that's one of the things we do is when we come in at the beginning, we get them to... We work very hard to get them to set appropriate reserves, so it's not a stretch for them to settle the claim, they don't have to go through 40 supervisors because they're settling within the authority that they already had delegated for the claim.

**[0:15:20.0] SR:** And is that reserve process is that something they have to disclose along the way, or you can partner... How do you know that that's going on? 'cause frankly... That's news to me. I didn't know that that was part of how they see.

**[0:15:39.3] GH:** They're not going to tell you what the reserves on the claims are, they will never tell you what the reserves on the claim are, 'cause that's like showing up to a negotiation and walking in and saying. I'm just gonna tell you right now, 'cause I like you Sam, here is how much money I'm willing to pay for this deal today, now let's go back into our holes and negotiate... Well, you know where we're headed. Right, so they'll never tell you about the reserves, but most states require reserves to be set because they have to set that money aside, so they stay liquid.

**[0:15:57.2] SR:** So they have to set that money aside, so it's basically you're coming in knowing they have to set those reserves and you're doing everything you can on the front side to push those up, even if we don't know the actual number.

**[0:16:07.3] GH:** Correct. And what that's gonna do is more likely than not, the person handling the claim is going to have authority to pay up to that amount if they decide it's justified, if they wanna pay more than that amount, they're gonna have to go through all these approval processes whether it's a committee or a supervisor, multiple layers, and suddenly an additional human element comes into the thing, which is, I did a good job on this claim, and I'm not gonna go tell my boss that I need more money, you know, that makes me look bad. And knowing that human component and knowing how to manipulate the reserves up makes it much easier to get a claim resolved in a positive way, and it's better for the carrier too, because they save a ton of money on litigation fees and lawyers.

**[0:16:48.7] SR:** I was browsing on your website, and of course there's some amazing testimonials on there and just infinitesimal claims that bloomed up into significant seven-figure claims, but on average, when you're pitching someone, what can a firm like your save or generally bring additional monies to the table net of fees.

**[0:17:09.5] GH:** Yeah. So we're gonna do... What I say is two things we're gonna save you a lot of time and money because you're not gonna have to deal with this 247. But no one seems to think that's a selling point, what they care about is the money, there's no way to know what percentage you're gonna get them... I'll tell you this, we consider it an epic failure if we have not gotten our fees paid and left the client with enough money to rebuild as if this disaster had not happened. That is a failure for us and we don't tolerate failure.

**[0:17:36.0] SR:** And that commitment is why you guys have grown as quickly as you have, I was doing a little bit of Internet research, and you guys have been around for just over a year, you've been an attorney for a number of years now.

**[0:17:47.7] SR:** What do you attribute that explosive growth to your... In seven different states, you have over 100 employees and just pass your one year anniversary, it just... There's that big of a need in the space for a firm like yours that kind of reinvent the business model,

**[0:18:06.0] GH:** Yes, I think success is like part luck and part work. Right. So we saw it coming. I have been in property casualty for 10 years, I felt as though this was where I always wanted to be, I came down to volunteer during Katrina when I was still a kid. So my heart has always been in storm restoration and natural disasters. It's always been what I wanted to do. And I was at this great firm that had a good regional reputation, that I was a named partner, owned 25% to 50% of the firm, depending on the day, I had everything set for life and I was just unhappy. It was about me, me me, how much money can I make? How much money can you make? All the partners, it was about much money can we make, it wasn't about helping people, and I just kinda had that... I call it that Jerry Maguire moment where someone cursed at me and told me to f off and I went home and kinda had that moment where I... I basically wrote up a business plan just like late at night, what does the ideal property casualty firm look like with the focus on helping people as opposed to making money, the money will follow, and I drafted all this up, and it was in the middle of covid so I had some time to kill, I was home.



**[0:19:16.2] GH:** And I told one of my really, really good friends about it, who is my business partner now, and he said, Let's do it, let's just go start this firm, so we came in, we saw every dollar we had into building this firm, because if you don't invest in your own business, there's no reason. And we just blew up. We have core values, and it's really, really important to us, it's accountability, passion, integrity, and commitment. And those are internal and external. And every single person that works for us knows those core values, can recite those core values, can talk about what they mean, and they live them. Since I've been talking to you, because lawyers are notorious for having ADD... I have this little screen that he's popping up on the right where people are warning each other, like bonus points, we have something held honestly for a commitment to those core values, and I'm literally watching hashtag accountability, hashtagpassion with someone's name popping up in my screen, and having that just core commitment to helping people through those four core values has allowed us to just blow up, and I'll give you a great example.

**[0:20:21.7] GH:** One of our biggest offices is in better Louisiana, and we have no power and we have no internet, and we have three-hour lines for gas and no food, and it is not safe for those staff to be in beary, Louisiana. So because they do such a great job, and because we're so committed to helping our people help others, we stroke a check to buy out an apartment building for 60 days in Birmingham, Alabama, and they're all living there, so their housing is taken care of, they have offices our other employees in Birmingham collected food toiletries, clothes. So I have this office of what would be seen as refugees living comfortably so they can help other people, and they're going a mile a minute processing claims right now, even though most of them have lost their homes I've realized, I just went off on a tangent and I apologize, but I do believe that if you run a company with some kind of intrinsic moral or ethical value, it becomes so easy to succeed blow up and get others on board, because if you can't get your team on board and you can't succeed.

**[0:21:23.8] SR:** I love that, and I appreciate the tanging, Galen, I wanna dig in a little bit if we could on that accountability piece, because so many people give accountability lip service, but when it comes to actually driving that and making that foundational within the culture, there's a disconnect, how have you guys driven that level of accountability, not just to your clients, but also to each other as a team base, where they're willing to step up in your employees in Birmingham or helping the employees out of Louisiana get re-home to get them set up?

**[0:21:53.7] GH:** Exactly, so it's accountability to others and accountability to each other, those are the two pieces of accountability, and one of the things we do strongly suggest you guys set up KPIS, key performance indicators for any staff you do have, and even in the real estate, this works

because you have property management and you've got a lot of people working with you, figure out what those things you want people to be doing are and reward them relentlessly for it, this bonus, they're exchanging these points for money, they're exchanging them for gift cards, and when we see that people are returning calls timely and they're responding to emails that are responding to text messages, and staff are getting what they want and what they need for others, we reward that we reward that as a company and all of our employees reported, I just saw one come through the other day, that kudos to so and so for returning clients call at 3 in the morning because she just lost her house, it was an emergency, and we don't expect that of them that they return a call at 3:00 AM, but they want to do it. Because the culture is so positive around being accountable to each other and being accountable to the clients, and I think that's the biggest thing, we have a new employee starting today in Birmingham, it's gonna be the weird of situation ever, right.

**[0:23:03.4] GH:** She's a mature lamina employee, she doesn't have a house, she just lost her job, she didn't have a place to be, and she's coming into this terrible situation, right. But everyone is pitching in to help get her settled, help show her the ropes, they're teaching her out of work and meter even though she can't work in mentor and they're walking through all these things with her as we speak, and the reason they're doing that is because they're accountable to each other as well. And it's amazing how simple it is to teach that by just rewarding people for doing it, and look at business owner says I shouldn't reward people for doing their job, and I get it, but what you do is you compensate people fairly for the work they do, and you make a portion of that compensation into rewards for doing a good job, now, doing a bad job doesn't get you to keep your job, you gotta fire people that won't do a good job, but by creating a portion of compensation that is specifically attending to you doing what they need to do, you create this environment in this culture, we're doing a good job is expected and sought after constantly.

**[0:24:06.2] SR:** I love that concept of rewarding, relentlessly, and just figuring out what is the behavior that actually is gonna drive our business forward and is gonna drive our core values forward and measuring that, and then rewarding based on that. I've been part of organizations that have used bonusly or other similar programs in the past, and it's amazing, I think to some people, especially maybe more analytical people, that comes across is maybe a little kitchy or cheesy, but it works. It works and it shows, it's a way to demonstrate the you care as an owner of your business, that you're setting up this program, and then it allows people to take ownership of that culture to a certain extent as well.

**[0:24:43.3] GH:** I was so anti-bonusly and then I watched it work and some other companies and I'm on board.

**[0:24:48.2] SR:** That's very interesting. Well, Galen, we could talk about building companies for a long, long time, but really appreciate the time that you've shared with us here today before we go, how do you like to give back...

**[0:24:59.2] GH:** We get back within the context of our own business, we do a lot of pro bono work, we encourage everyone to do pro bono work, we always say it's not a competitor firm 'cause they do personal injury, but they say, doing good by doing... Right. And I just love that. So that's what we always do. So we kind of stole their motto, so right now in the middle of this hurricane, I have a few people that have deployed back to New Orleans, we're not assigning any cases right now, we're not trying to make any money right now, they're literally in people's yards helping them clean up debris, they're helping find problems with their homes, they're helping make claims because we have that expertise. So I'm a big fan, I think it's fun to go do things. We'll go do fund charity projects, but I'm a big fan of if you have some kind of special skill, use that give back that way, because you've already spent all this time and money honing that skill, so you're gonna do a better job than anyone else trying to do what you do. So go do that, whatever your amazing skill is, give that back to the community a little bit.

**[0:25:57.1] SR:** Oh, that's fantastic, I love that. Well, Galen really appreciate you joining us today. If folks wanna find more about your firm, what you guys do and maybe utilize your services where they can get in touch with you.

**[0:26:07.6] GH:** We have a website, InsuranceClaimHQ, just one claim, InsuranceClaimHQ.com, and then we have a 24-hour hotline, which is 844, claim 84. And we answer the phone night and day because unfortunately in our business, things happen night today.

**[0:26:24.6] SR:** That is for sure. Well, thank you again, Galen, pleasure to have you on. Thank you to our listeners for joining us on another episode of the Real Estate Syndication Show. Have a great rest of your day.

**[0:26:34.2] ANNOUNCER:** Thank you for listening to The Real Estate Syndication Show, brought to you by Life Bridge Capital. Life Bridge Capital works with investors nationwide to invest in real estate while also donating 50% of its profits to assist parents who are committing to adoption, Life

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