



SALT LIFE

ROB SCOTT

The following are the first few pages of “Salt Life” by Rob Scott

Chapter 1: The Big Idea

“So is Punta Gorda near your place?” asked Mandy.

“It’s close, yes, about twenty or twenty-five miles from Englewood. You know what it means don’t you?” replied Fred.

“No, what?”

“Fat Pussy!”

“Nice.” Mandy smirked, “But I think the term is Spanish since Florida was originally colonized by Spaniards to which ‘Punta’ actually means ‘End’ to translate it properly would mean a large point of land extending into a body of water.”

“Well before the Spanish arrived, Florida was inhabited for twelve thousand years by Native American Indians called the Calusa and their word for Punta Gorda was translated as ‘Fat Pussy’.

“Oh really? What is the proper Calusa pronunciation of it then?” asked Mandy.

“Well no record of the Calusa language actually exists today, their kind all migrated to Cuba in the early 1600’s, but I can see you are not buying my story anyway.”

“Nice try Honey. What about Galveston?”

“Galveston is like 75 miles from here” stated Fred, “I’d like to own there since we live here and not in Florida.”

“What’s it cost to own in Galveston?”

“About \$150.00 per square foot.” said Fred.

“So how much is a two bedroom, two bath in Galveston?”

“Oh about 700 square feet or about \$105,000.00.”

“How much does a king bed in Galveston rent for? \$95.00 per night right? And it sleeps eight, so it will rent for

\$2.00 a square foot per week or \$1,400.00 a week” stated Mandy.

“Yes, but before you go counting money, don’t forget about the fees, insurance, taxes and utilities:

\$550.00 per month condo property maintenance fees
= \$140.00 per week

12% insurance, liability, flood, wind and property on
\$105,000.00 = \$250.00 per week

\$17.00 per day in utilities of electric, water, internet,
television = \$130.00 per week

\$100.00 per week normal maintenance with wear and
tear

So you are looking at \$620.00 per week in costs,
netting only \$780.00 per week or \$40,000.00 per year.” Fred
calculated.

“So it is paid for in two and a half years!” exclaimed
Mandy.

“The only way I can see doing this correctly is to go big or go home.” Fred said.

“Like ten places?”

“Maybe more, not sure, how many do you think we could manage between the two of us? Plus we would have to live there as well. I will do the maintenance, upkeep, managing the house keepers and you do the marketing, handling complaints and dispatching me. Look we have \$750,000.00 in my IRA which I can touch now as I am fifty-five and our house here in Kingwood is worth \$250,000.00 so we have a million dollars to work with. If we buy smart we can get ten places, maybe even eleven.”

“Can we still spend the million and float eleven times \$620.00 in weekly costs or \$7,000.00 per week in costs?” asked Mandy.

“We can if we are bringing in ten times \$1,400.00 in weekly revenues or \$14,000.00 per week in revenues.”

“Can we live on \$7,000.00 per week in net float cost free where our utilities and cost of living expenses are free and clear? What’s that \$364,000.00 a year, after taxes that’s \$200,000.00 or \$100,000.00 for each of us? Will we be okay on \$50.00 per hour?” asked Mandy.

“Sounds like a lot of work for fifty per hour, but I think we can manage on \$10.00 per hour since our cost of living will be provided by the company condo. We should plan on sinking the remaining \$80.00 per hour into buying another condo every year. Then in ten years we have twenty-one condos generating \$30,000.00 in weekly revenues, then we give ourselves a raise.”

“At that point we could sell it all for two million, perhaps three million” dreamed Mandy.

Chapter 2: Living the Dream

Buying commenced shortly after Fred and Mandy's conversation. Fred cashed out his IRA and 401K and they put their home up for sale. They scraped together a million dollars. Eleven places were secured, a three-bedroom, two-bath at the Victorian Condominiums was their new home. They bought some two-bedroom, two-bath units at the Victorian, Casa Del Mar and The Palms.

Their three-bedroom place is on the second floor of the Victorian overlooking the pool. The terrace is large with room for a couple tables and chairs and a few lounge chairs for sunning. Mandy really liked the energy she soaked in from the activity at the pool each day. From 10:00 am until 10:00 pm every day the pool was really busy. Many people frequented it and sometimes it was noisier than at other times but it was energizing all the same.

The living room was large and accommodating to the spacious desires of Mandy's work environment. She took calls all day and all night long. She liked seeing the pool

and the Ocean right from her condo terrace. She enjoyed hearing from the guests even though it came with problems sometimes, they were not really her problems, but rather Fred's problems to solve.

The kitchen was separated from the living room by a large granite bar that seated five comfortably. It has a stove and microwave, double-door refrigerator, pantry and nice cabinets. A sectional leather couch in the living room was a comfortable retreat from the master bedroom with king sized bed and private bath.

On a typical day, Mandy liked to awake before sunrise, walk to the fitness center, walk a couple miles on the treadmill, take a little breakfast in at Tiffany's restaurant next to the gym. She liked an egg over easy on a slice of lightly toasted white toast, a chocolate-chip pancake with whipped cream, a slice of toast lightly toasted with light butter applied, and a small portion of lightly done hash browns. To maintain a healthy existence one should eat breakfast like a king, eat lunch like a prince and eat dinner like a pauper. This allows the body to digest and use up the fuel properly during the course of a day.

Sometimes Mandy liked to walk along the seawall to the San Louis from 6300 Seawall to 5220 Seawall one mile to the East along the beach. At the San Louis she would sometimes have the same kind of breakfast in the dining room of the Resort, Spa and Conference Center. By the time she returned it was nearly 9:00 am and she began her day of marketing, a few sales calls, fielding some complaint calls, dispatching Fred and checking on how the repairs looked to the clients.

Each afternoon, Mandy used the treadmill at the fitness center and walked about six miles. Keeping her figure took a lot of work but Mandy enjoyed how it made her feel afterwards. She kept her cell phone with her at all times so that the calls were never missed.

Marketing was by far Mandy's favorite activity and she occasionally found herself spending a lot of time doing it. She tried to limit herself to a couple hours a day, but it was a lot of fun to Mandy to do it all day long if she allowed herself. Posting pictures on the Facebook account, she maintained a daily blog of sunrises, beach goers, the pool report, sundown report and general news about what was

going on at the three different properties each day. She Tweeted throughout the day all the whimsical things she saw transpiring throughout each day. She updated her calendars on VRBO, advertised on Facebook little ads about the condos for rent.

Then in the afternoons she did her least favorite activity of each day. Three hours of emailing to individuals throughout Houston soliciting their attention to the VRBO and Facebook websites. There are four million email addresses across Houston. The email servers limit emails to five per minute, sixty per hour and five hundred per day. At this rate, she had to complete emails through multiple accounts, twenty of them, in order to deliver four million emails a year. Mandy blasted every two minutes to sixty addresses little notes about catchy appealing phrases and pictures to entice viewers of the emails to click farther and check out the ads.

Every two minutes she toggled to another email account and sent out another batch of sixty emails. So every hour 1,200 emails were going out, every day 10,000 emails were delivered. It took Mandy eight hours to do this. She normally started at 2:00 pm and ended at 10:00 pm every

day. It was so long and boring it was her least favorite activity.

“I hate this part of the job, Fred. It sucks the big one.”

“So farm it out” said Fred.

“How do you do that?”

“Easy, hire someone to do it for you. They don’t have to be here to do it, they can do it from their own home. All they have to do is copy you on each batch and that way you will know they are working.”

“So what do we pay them?”

“Nothing. Like five an hour.”

“Okay” said Mandy, “Help me find someone.”

“Easy”, said Fred, “Mark, that fucker always needs a job.”

Mark Jensen, friends with Connor is a gamer. All he does is play video games and hack away at trying to create his own. He got into trouble with hacking an online casino and accepting Paypal transactions in the United States for a black jack game he created. Now a felon, no one wants to hire him. It took all of two days for Mark to create a program to email all 4 million people in a matter of hours. Mandy still paid him \$40.00 a day, she was happy to do so. The email frequency was toned down to weekly sends, usually a picture and a beach or pool report.

It generated traffic to the sites. It helped fill up the calendars for the ten rental units. All was better with Mandy’s world now, she could spend all day doing her marketing now if she wanted to.

Fred kept his tools and supplies in a large silver Nissan cargo van. In it were racks, bins and enough space in the middle to pick up and transport drywall and plywood. He

had a power inverted capable to turning the van's battery into 144 volt electrical power source to run his power tools. Fred locked up the van securing all his tools and supplies right on the condo premises. He had knock-down work horses he could use to work with drywall and other large sheets of materials to do his repairs when necessary.

Chapter 3: Insurance Industry

“Why does insurance cost so much in Galveston?” Mandy asked as she opened the mail with the latest insurance bill.

“Because it is a sham”, said Fred, “Look, when the richest man in the world got that way by selling insurance to Americans, it is a bad deal.”

“Warren Buffett sells insurance?” asked Mandy.

“Yep, 70% of the income stream of Berkshire Hathaway comes from his insurance company holdings. Hell, half his free cash flow comes from it as well. The whole reason he is able to buy out companies like Burlington Northern Santa Fe Railroad is because his insurance companies allow him the cash to do so.”

“So like, how much does his insurance make?”

“Eleven percent!” exclaimed Fred, “We pay \$250 per week times eleven units for a whopping \$145,000.00 per year in insurance and it really only costs Warren Buffett zero

dollars to insure us because we don't file any claims, ever!"
Fred fired off.

"I saw on '60 Minutes' how Life Insurance policies are not paid out unless the beneficiary knows the policy exists and makes a formal claim on that policy. It is awful how the insurance industry keeps all that money for itself. Bunch of fucking cheaters!"

"So you want to make money in insurance Fred?"

"I want to bring so much competition down on them to break their system" said Fred.

"So you want to not only leave the proverbial money on the table but give it back to the payers of insurance policies?"

"Just in Texas." stated Fred.

"So let's think this through, you want to make it so cheap in Texas that other insurers will leave the Texas marketplace and therefore only your insurance company will be remaining?"

“Yep!” chuckled Fred, “Eight billion dollars a year in annual homeowners’ premiums all mine. In 2013 in Texas, the worst natural disaster count of ten events caused payouts of \$1.5 billion that year, while the industry in Texas collected \$7.3 billion that year, for an ROI of 587% in Texas alone. Do you see why it is a sham?”

“So you really want to change something in a big way.”

“Yes I do. To charge a third of what the premiums are today, to drop the revenues to two billion a year and allow people to live less expensively” replied Fred.

“But Hurricane Ike caused \$13.2 billion in damages to Galveston in 2008. Your premiums would not account for that kind of loss to repeat.”

“Sure it would, collect two billion a year since 2008 and in 2016 have \$18 billion in reserves, invested amount will be over \$30 billion” said Fred.

“You do realize you will displace a hundred thousand jobs in Texas and cause Texas tax revenue to be depleted by over a billion dollars.”

“It is silly to allow the insurance industry to rape and pillage Texan homeowners just because it employs people and pays taxes, it is still raping and pillaging.”

“You know Texas is the second largest insurance market in the United States with twenty-five million people right? And that Warren Buffett will probably take notice of your actions and might retaliate right?” asked Mandy.

“Yes and it’s a three trillion dollar marketplace for all kinds of insurance:

\$2.2 trillion in life insurance policies in Texas

\$15.4 billion per year in health insurance premiums

\$44.5 billion per year in property & casualty insurance premiums

Look at how much they collect and payout each year in Texas:

Life Insurance

Annual Texas Premiums: \$30.5 billion

Payout Benefits: \$26.9 billion

Annual Profits: \$3.6 billion [12%]

Health Insurance

Annual Texas Premiums: \$15.4 billion

Payout Benefits: \$12.7 billion

Annual Profits: \$2.7 billion [18%]

Property & Casualty

Annual Texas Premiums: \$44.5 billion

Payout Benefits: \$23.7 billion

Annual Profits: \$20.8 billion [47%]"

"But you can't just destroy the profit machine in Texas without an extreme amount of retaliation from everyone; Warren Buffett, insurance regulators, over two thousand other insurance companies giving coverage to Texas!" cried Mandy.

“They can all go to hell, and I shall remain in Texas” replied Fred.

“Nice. Who is that? Davey Crockett. I don’t think he really said it like that.”

And with that Sunrise Property and Casualty Company was born, headquartered in Galveston, Texas employing a dozen people, nine of them answering phones and signing documents, two making copies and filing them, and one sitting in the corner office getting yelled at constantly through phone, email, fax and text. It took only a few months for the Texas marketplace to learn of the existence of low-priced homeowners’ insurance and the policy premiums to come pouring in.

Fred went for the jugular, destroying the 50% profit margin of the property and casualty insurance marketplace in Texas. Soon insurance companies began retreating from Texas, with the premiums flow becoming dry, they simply had more liabilities than asset streams to finance their profit machines. Simply put, they were not making the profits they were used to so they concentrated their efforts on other

marketplaces around the country that were not as competitive.

It took only six months for the other 2,041 property and casualty insurers to retreat from Texas. Fred cornered the market and was collecting \$22 billion in annual premiums around Texas. Over 100,000 insurance jobs were lost that year in the property and casualty industry, and tax revenues shrunk from \$1.5 billion down to a paltry \$20 million. Insurance regulators were fired in droves to compensate for the lost revenues and budget over-runs.

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