

# FASNA FORUM

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## WHY (AND WHEN) TO USE A FASNA MEMBER FORENSIC ACCOUNTANT

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We are often asked why (and when) a claims manager, adjuster, or attorney should use a forensic accountant from a Forensic Accountants Society of North America (FASNA) member. Like most things in life, it all comes down to a cost/benefit decision. As an insurance company claims professional, your intention is fast and objective handling of claims at a reasonable cost. As an attorney, either defending an insurance company, or representing a client in a matter involving financial matters (and don't they all), your objective is to do your best for your client and hopefully prevail in the litigation.

FASNA member firms have experienced forensic accountants at your disposal. Logically, you should use a forensic accountant from a FASNA member firm when the situation dictates that the benefits for such use out-weigh the costs. What are some of the cost issues? FASNA is an affiliation of quality local CPA firms from across the country that

have specialized training and experience in claims adjustment and litigation support. We bill by the hour and our rates differ by geographic area. Because we are not national firms, we do not carry the overhead they do. Quite often, our rates are less than half of the national firms. In one complicated litigation case three years ago, the "forensic" expert on the other side was billing more than twice my hourly rate! The old adage, "you get what you pay for" was not applicable in this case because we soundly prevailed. Cost is an issue, but FASNA member firms are very competitively priced.

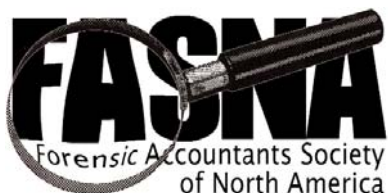
What are the benefits? The following benefits are just a sample of the help forensic accountants can bring to your claim:

- Expertise
- Experience
- Objectivity
- Efficiency

### EXPERTISE

All CPAs tend to possess a skill set that promotes analytical ability. It's the typical left brain stuff for which accountants are known. It is very important to note that not all CPAs are good forensic accountants. The term forensic implies investigative analysis. Several additional skills become necessary, including the ability to see the "big picture" while also being able to wade through the details of a claim or case. Communication skills take on a heightened role due to issuance of a written report and potential expert testimony. This kind of communication is different than how a traditional CPA is used to communicating. And expert testimony is the same left brain personality that led many to become accountants in the first place. You know the mild, meek accountant stereotype? That type of personality is not effective

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## CASEWORK EXPERIENCE

*FASNA member casework includes, but is not limited to, cases involving:*

- Inventory/property loss
- Employee dishonesty
- Business income loss
- Personal injury or wrongful death claims
- Truth in lending/truth in leasing
- Post judgement matters/ calculations
- Loss of income/earnings
- Divorce and fidelity claims
- Business valuation
- Expert testimony
- Fraud

## INDUSTRY EXPERIENCE

*FASNA member experience includes, but is not limited to cases involving:*

- Auto dealerships and transportation
- Colleges and universities
- Construction, contracting, and engineering
- Financial/money management, trust, and estate
- Healthcare
- State and Indian tribal government
- Insurance claims
- Manufacturing
- Real estate
- Restaurant and hotel industries
- Retailing/wholesale

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in a courtroom. A forensic CPA has to be confident, non-confrontational, and able to communicate complicated accounting issues to a layman.

To become a FASNA member firm, a CPA firm must undergo specialized training by an existing FASNA member. FASNA has also developed a complete list of the skill set necessary to be a competent forensic CPA. Each FASNA member firm is highly screened to make sure they meet these requirements. When you select a forensic accountant from a FASNA member firm, you are assured of getting an expert forensic CPA.

## EXPERIENCE

The forensic accountants with FASNA member firms have direct experience with insurance claims and most have been involved in complicated lawsuits. Our affiliation is such that any member firm can call on another firm if they need assistance. Within FASNA, we have the experience to handle almost any claim or litigation with which you may be involved.

## OBJECTIVITY

Forensic accountants evaluate claims in accordance with the applicable coverage and proof of the claim submitted by the insured. We do not try to understate the damages for the insurance company. However, because the insured typically does not understand the applicable coverage, the initial claim is usually overstated. By engaging a FASNA member, the insurance company will receive a report on the appropriate amount due - no less, no more - that will be thoroughly analyzed and well supported.

In litigation, FASNA members take the same objective role with one addition: we are able to evaluate the other side's position and/or arguments, and thus, help the attorney strengthen his or her case.

One other important benefit from personal past experience is the societal view of a CPA. Have you ever had a claim where the insured and the adjuster are no longer on speaking terms? When claims get to that point, engaging a FASNA member firm can have a calming effect and get the claim moving towards resolution. Despite being retained by the insurance company, we are viewed by the insured as an objective third party coming in to help get the claim resolved. And that is just who we are and what we do.

## EFFICIENCY

Considering the above, we are able to evaluate claims and assist in litigation in a very efficient manner.

Now that you know why you should engage a FASNA member firm, let's address when you should get us involved. Here are some potential issues:

- Amount of dollars involved,
- Nature of the claim or litigation,
- Workload, and
- Relationship with the insured or "good faith" issues.

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### AMOUNT OF DOLLARS INVOLVED:

The importance of engaging a FASNA member firm rises as the dollars involved in the claim or litigation increase. Obviously, for a \$2,000 claim it would probably not make sense to get us involved. As the stakes increase, so does the importance of getting quality forensic financial expertise to assist in your evaluation.

### NATURE OF THE CLAIM OR LITIGATION

The nature of the claim or litigation can dictate whether a FASNA member forensic accountant should become involved. Typically, we are not involved in straight-forward property loss claims. Approximately 80% of the claims we see are loss of business income with the balance being made up of employee dishonesty. Not all loss of business income cases are difficult. Consider engaging a FASNA member firm if the insured, or

injured third party, is self employed, operates an S corporation, partnership, or LLC entity structure, or appears complicated for some other reason.

Especially consider engaging a FASNA member firm when the claim "just doesn't smell right." We have found that when something smells rotten, it probably is.

In litigation, the importance of getting a forensic accountant involved early cannot be overemphasized. Not only can we significantly aid in document requests and interrogatories, we can attend depositions to verify the answers you are getting make sense and develop any necessary follow-up questions.

### WORKLOAD

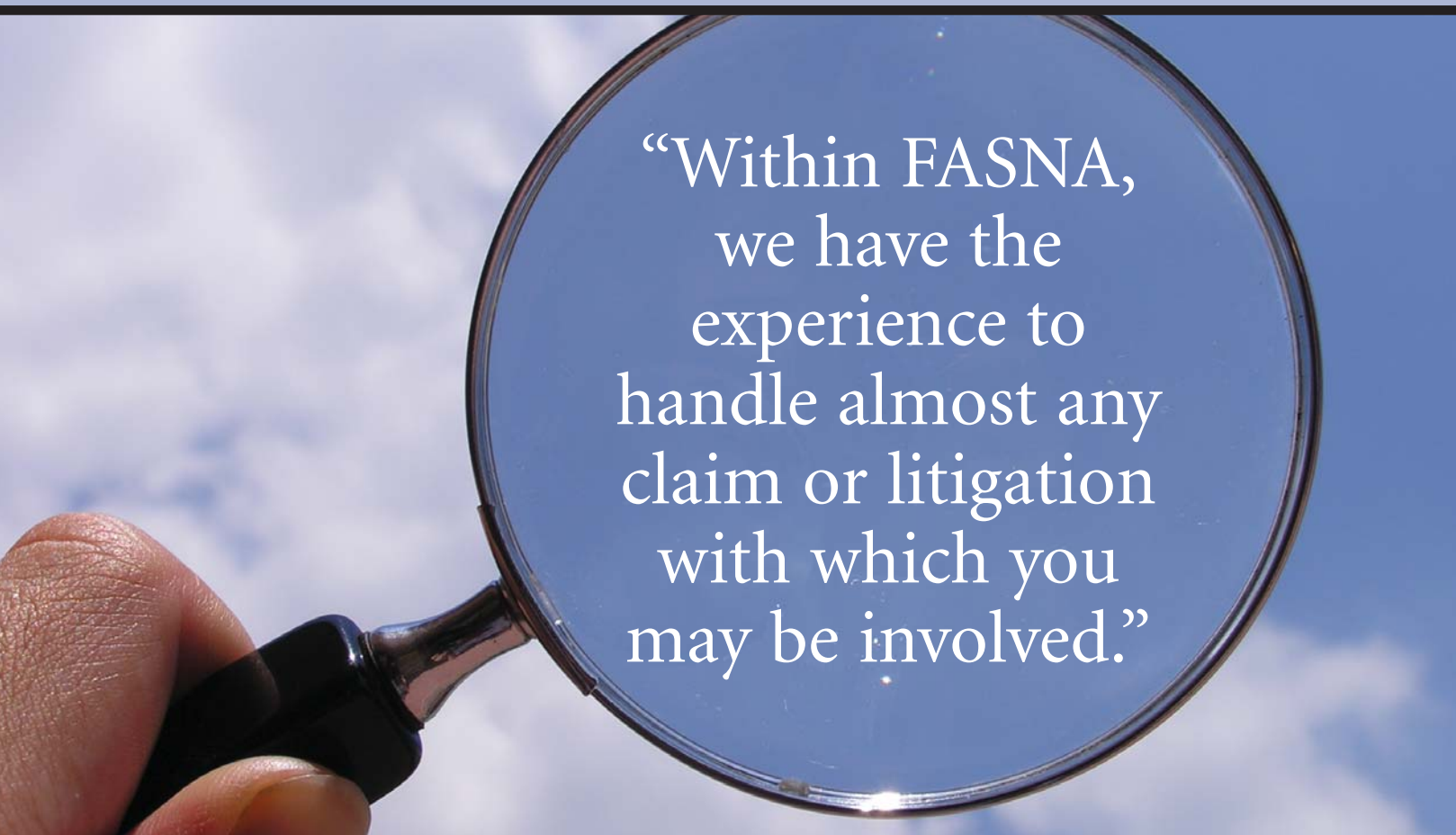
Circumstances can put adjusters under extreme workload. The 2004 storms in Florida relocated many adjusters from the Pacific Northwest to that area to assist in the claims handling. Not only were those adjusters assigned heavy workloads because of the sheer number of claims, the workload of their counterparts left in the home area increased because of the short staffing. In these situations, engaging a FASNA member firm to simply handle

some of the extra workload can reduce stress on the company adjusters and prevent the addition of staff when it is just a temporary workload increase.

### RELATIONSHIP WITH THE INSURED OR "GOOD FAITH" ISSUES

We have all seen the difficult insured. The last thing you want is an assertion that your company is not dealing in good faith or worse yet, a complaint to the insurance commissioner. Sometimes, regardless of the cost, it makes sense to engage a FASNA member firm to resolve these claims. We approach all of the claims with the utmost respect for both the insured and the adjuster. Using tactful diplomacy and the knowledge of how society views CPAs, we can effectively get people to the table and finish the job.

Hopefully this helps address the question of why (and when) to engage a FASNA member forensic accountant. We are here to serve you. The significant number of insurance companies and attorneys that have engaged our services have made the judgment that the benefits we provide significantly outweigh the costs.



“Within FASNA,  
we have the  
experience to  
handle almost any  
claim or litigation  
with which you  
may be involved.”



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