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A Message from the President: Good Times Hide Bad Habits

by Roger Nearmyer, Cremers, Holtzbauer & Nearmyer, CPA, FASNA Member

It wasn't too long ago that the economy was humming along at a good pace. Employers were hiring and investing for growth. Consumers were buying cars, houses and furniture. People didn't worry about a little extra expense here or putting something on a credit card there. Financial institutions were willing to invest in risk - because it had been paying back just fine. As the economy has turned, things have changed. That's not always bad though, because it forces people to look at things a little more closely.

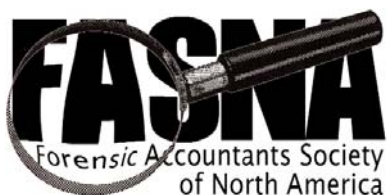
See, when the economy struggles, it forces you to look for unnecessary costs. You start asking questions. Sometimes you even have a little more time to dig into the details. These efforts help find "things" that just don't make sense. Sometimes

these "things" lead to the unraveling of cases of fraud that might have never been uncovered.

At the same time, a bad economy is also a motivator for someone to try to get their hands on extra money. As forensic accountants, we often see more corporate fraud, more insurance fraud and more exaggerated or inflated insurance claims during times like this. Now, think about the number of foreclosures, the lack of credit available from banks and the risk of losing your job in a bad economy. All more incentive for someone desperate to maintain their standard of living to look for ways to "supplement" their income. In times like these, it makes sense to work closely with people who understand what to look for and where to look for it.

The members of FASNA have special training and experience in helping organizations find cases of fraud, as well as demonstrating ways you can help prevent it. We also share information and experiences so that we can all apply a "best practice" approach to forensic accounting.

As a member of FASNA, I encourage you to look at the wealth of experience each member firm can bring to the table as part of a larger network of forensic accounting professionals. Whether you're looking for expertise in insurance claims, loss adjustment, the litigation process or expert testimony, you won't find a more experienced, professional group dedicated to the science of forensic accounting than FASNA and its member firms.





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

A New Era for Insurance Advertising

by Steven B. Bishop, CPA, CVA, CFF, Benson & McLaughlin, PS, FASNA Member

Watching way more television than I should, I can't help but notice that the same commercials seem to be coming up over and over. I mean, do people really have that much old gold jewelry? And what can I say about that structured settlement guy other than, "It's my money, and I don't ever want to see you again."

I have noticed a little green lizard and a cartoon heroine constantly trying to sell me insurance, promising lower cost and ease of purchase. Whether you work for one of these recognizable companies or one of their competitors, it seems to me that insurance advertising has changed dramatically in the past few years.

I remember the days of "You're in good hands" and "Like a good neighbor." While these two slogans are still in use, there has been a definite shift of focus in insurance advertising from the relationship you have with your insurance company to price and convenience.

Since the 1990s, Geico had been using the "fifteen minutes can save you fifteen percent on car insurance" line, which urges people to make a telephone call for a price quote. As the Internet's influence has grown, they have also encouraged people to go online for a quote.



The process of getting an insurance quote has become much simpler, but it has shifted insurance from a relationship product to a commodity. Like all commodities, price is a major factor, and one of the few ways to differentiate among competitors is price.

As a result, Suzanne Vranica argued in the Wall Street Journal, “Geico went into high gear. For years, it had relied on stodgy direct mail to woo customers. But the new tactics called for hitting television, radio and billboards, from all directions. Its ad spending soared about 40 percent in 2005, according to TNS.”

And Geico wasn't the only company using this new messaging tactic and increasing its advertising spending. Vranica also wrote:

“Allstate Insurance, the ‘good hands’ people who, along with their ‘good neighbor’ counterpart State Farm, advertised for years with mild, homey messages promoting family and security. Not anymore. Property and casualty insurance companies are engaged in a brutal marketing battle that has blown up those homespun images like a Hollywood stunt. Ad spending by the

industry has grown more than 64 percent since 2000, to \$2.89 billion, according to TNS Media Intelligence, and is growing faster than advertising for other competitive industries like wireless telecommunications, banks and prescription drugs.”

Geico now employs a multi faceted marketing strategy. The little green lizard was meant to be a one-time ad to help consumers relate to the company name. Geico/Gecko, I get it. However, in addition to the lizard, which has now become a staple of their advertising, we have the cavemen and celebrities (fresh off some reality TV show) interpreting real customers stories on dealing with Geico.

We even have Mrs. Butterworth (a definite trademark) helping to hock insurance and “hot buttery pancakes” at the same time. According to the Vranica article, Geico spent \$403 million in advertising in 2005, a number which has risen significantly since then. By comparison, Coca-Cola spent \$326.1 million that same year. To compete, other insurance companies have been forced to up the ante as well.

However, not everyone is impressed with Geico's advertising strategy. In her article, Vranica quotes Joe Tripodi, Allstate Corporation's chief marketing officer: “In times of need or crisis the consumer needs someone beyond a talking animal.” Of the Geico lizard, he says “I'd like to squash it.”

Though in 2005 (the last year for which figures are available) Geico trailed its competitors in private passenger auto insurance, the company's probably won't change any time soon. In the Vranica article, Warren Buffett notes their advertising growth is “sustainable as long as I am willing to write the checks. And I love writing them.”

So whether you like or dislike the now seemingly constant barrage of insurance ads, (and I must admit I like the caveman ads), it seems they are here to stay.

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