



# values

**Values** is an informational newsletter for attorneys who assist clients in answering valuation questions and claims adjusters who work to pay the proper amount of a claim.

Collecting data earlier in a claim rather than piecing it together later can reduce the time a forensic accountant needs to spend on a claim.

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## Avoid Leaving Value on the Table

Ever try to buy or sell a house without using a real estate agent? Sure, you can do a lot of the things they do. Take out an ad. Plant the sign in the front yard. Post a photo and description on a website. Talk mortgages with a banker. Hire a lawyer to review documents.

It's always tempting to try to avoid hiring an expert and the extra expenses that go along with them. But with a good real estate agent, it's not the simple things that make them worth the investment. It's the experience and insights they bring to the table that make them worth the investment. Which lawyers are best on certain real estate transactions? What banks are hungriest for mortgage loans? Which appraisers understand the value of homes in a certain area of town? What is the school district like? The property tax situation? What are the plans for the empty field within a stone's throw from the house under consideration – and how will that affect the home value in five years?

If you do much of the work yourself, then bring in a real estate agent at the end to just help with the transactional part of the process, you're leaving much of the value they bring to the process on the table.

The same thing can happen with forensic accounting. So much of the value we bring to the table comes from being brought into a claim early in the process, when decisions are still being made. Here are 4 reasons to bring us in early in the claim process:

### Functioning Businesses Reduce Claims

The faster you can get a business back up and running, even on a partial basis, the lower the business income loss claim will be. Take an auto repair shop for example. A fire hits the business and burns half the building. Besides the property, the insurer is also responsible for paying for business income loss. When we are brought into the process early, we're able to quickly calculate monthly income loss and expedite the claims process.

Often, this means the company has money to reopen at least part of their business. In the case of the repair shop, maybe they've lost the equipment to do heavy engine repair, but still have a lift and equipment that would let them do routine business like oil changes and tires. Income generated by these activities is income that offsets the insurer's business income loss claim.

Forensic accountants can often serve as an independent third party, creating a less-adversarial claims process.

Building a rapport with an insured usually leads to better cooperation and a simpler information gathering process.

### **Objective Third Parties Smoothen the Road**

Here's a shocker. Insureds often feel like insurers are their adversaries when it comes to a claim. Sometimes this makes them feel they should inflate claims, creating an "us versus them" mentality on both sides.

We've found that when a forensic accountant is brought into a claim earlier, often, there is a higher level of trust on both sides. Insureds don't feel the need to inflate claims because they know a good forensic accountant will 1) uncover the inflation; and 2) have a more unbiased view of the claim than the insurer. This usually leads to claims that are resolved more quickly and amicably – which tends to also help retain business!

### **We Know Where to Find Accurate Data Quickly**

It's not always easy piecing together bits of data to rebuild what a business looked like on paper before a claim. However, doing this accurately and quickly usually leads to a more accurate view of a claim. It also tends to move the process along more quickly, so an insured can start developing a plan to get their business operational again – sometimes reducing loss of business claims.

Knowing where to find historical sales data, information about current contracts, information from vendors, etc. allows us to piece a company back together on paper – even if the insured's financial data was lost. This information is much easier to recover when we are brought into the process earlier. It can be much more time consuming (and costly) as time passes.

### **Building Rapport Leads to Better Information/Cooperation**

It's much easier to build trust with an insured over time. When brought into the claim process early, we're able to ask questions, gather information and gain an understanding of the insured's business earlier. On the flip side, claims often get more disagreeable when they span a longer period of time.

Having someone taking an interest in understanding their business can often diffuse disagreements and get issues resolved more quickly. As time goes by, the positive rapport needed to easily gather information from an insured declines, sometimes making it even more time consuming (and frustrating from the insured's point of view) to gather the information needed to help calculate an insured's actual loss.

### **Can We Help You?**

Dale Cremers, Bob Holtzbauer and Roger Nearmyer have experience to help you address questions about forensic accounting. Please call for more information at 515-274-4804 or e-mail us at [info@chncpa.com](mailto:info@chncpa.com).

