

# SCAA

November 2004

Vol. 32 No. 3

## Seattle Claims Adjusters Association

*"A professional organization dedicated to the ongoing education of the claims community.  
Providing an arena for member interaction and the sharing of resources."*

### President's Corner

— by Annette Grace, President



For those of you who did not make our last meeting in October, you missed some great information shared by our lunch speaker, Ms. Linda Brown from the Washington State Department of Revenue. Her topic was on unclaimed property in the Insurance Industry. Check out the website at <http://dor.wa.gov> to see if you have money just waiting to be claimed — the odds are 1 in 7!

On another note, I recently saw a commercial that infers a simple "Thank You" can fix anything. It is true that a well-placed show of appreciation can mean the world. And yet, thank you cards are growing scarce and verbal kudos are replaced by easily ignored emails.

The "Thank You" commercial reminds me of Thanksgiving. This holiday was never meant to be reduced to *feeling* thankful, it was meant to *give* thanks. This is a special time to make note

of what we appreciate and what we are thankful for and then to give that thanks. Take time to look around at what you are thankful for and then hand-deliver the appreciation. This Thanksgiving let's put the *giving of thanks* back into the season. Happy Thanksgiving!

Be sure to register for our annual holiday party being held December 3 at Anthony's Homeport from 12-4pm. Salmon and prime rib are on the menu with all the trimmings! You will find the registration form in this issue as well as on our website at [www.seattleadjuster.org](http://www.seattleadjuster.org). \*

### Next Meeting of the SCAA

**November 19, 2004**

The Swedish Club, 1920 Dexter Ave North, Seattle, WA

#### Program

**Preventing & Understanding ACL Tears**

#### Menu

**Roasted Turkey Breast w/Garlic Mashed Potatoes & Stuffing**

#### Cost

**\$10 Members \$18 Non-Members**

#### Time

**11:30 a.m.**

*If you have special dietary needs, please give a 48-hour notice by calling the Swedish Club at (206) 282-5903.*

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# ON THE DOCKET

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**Jesse Williams** ..... Golf Tournament Chair  
*Classic Claims Service* Office: 425/379-0485

**Bob Jeans** ..... Tennis Tournament Chair  
*JMW Settlements Inc.* Office: 425/396-4344

**David Kean**..... Bowling Tournament Chair  
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Date	Speaker/Topic	Menu
Nov 19	Preventing & Understanding ACL Tears with Bruce Snell, MPT, SCS, ATC, NW Sports Physical Therapy, Inc.	Roasted Turkey Breast w/Garlic Mashed Potatoes & Stuffing
Dec 3	Annual Holiday Party Registration form in this issue & on our website	Salmon & Prime Rib w/all the trimmings
Jan 21	SCAA Meeting Check our website for updates	TBA
Feb 18	1st of 2 Bowling Tournaments Sunset Bowl in Ballard \$15 per person	—

### Meeting Information

Please keep in mind that we'd like to start and end promptly during our monthly meetings. Here is the timeline for each meeting:

- 11:30 a.m. Registration
- 11:45 a.m. Buffet
- 12:00 p.m. Meeting Called to Order
- 1:00 p.m. End of Meeting




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**Case Study**  
**UM / UIM Benefits**  
**Must Coverage Extend to**  
**Snowmobiles?**  
 — by Jennifer Krumm

*American States Ins. Co. v. Rancho San Marcos Properties,*  
 \_\_\_ P.3d \_\_\_ (Wash. Ct. App. Div. III 9/16/04)

American States Insurance Company insured an abandoned building. Wells Fargo Bank held a mortgage on the property and was a named insured on the policy. The policy contained an exclusion for "vandalism" if the insured property was vacant for more than 60 days. However, the policy did not define "vandalism."

After an unknown person drove a car into the building and set fire to the car and another part of the building, Wells Fargo made a claim under the American States policy. American States denied the claim under its vandalism exclusion. Wells Fargo responded that fire was a covered loss under the policy, no matter what the motive for causing the fire. Alternatively, Wells Fargo argued that "vandalism" is ambiguous and should be interpreted in favor of the insured.

American States brought a declaratory judgment proceeding to determine whether it was obligated to provide coverage for the loss. Wells Fargo then brought a counterclaim and the parties filed cross-motions for summary judgment using stipu-

lated facts. The trial court ruled that the building fire was a covered loss under the American States policy.

On appeal, Division III of the Washington Court of Appeals noted that not all vandalism results in a fire loss, and not all arson is an act of vandalism. Also, the court found that the policy specifically distinguished between "vandalism" and "arson" by referring to them as separate causes of loss. Similarly, one provision in the policy required American States to offer a \$5,000 reward for information leading to the conviction of arsonists, but said nothing about vandals.

Based on this reasoning, the court held that the vandalism exclusion could not be used to exclude losses caused by arson.  
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**Adjusting Pointer: Vandalism exclusions may not exclude losses caused by arson.**

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— *If you want to be notified of new cases, please send an email to [caseupdate@smithfreed.com](mailto:caseupdate@smithfreed.com) or visit our website at [www.smithfreed.com](http://www.smithfreed.com).*

— *This article is intended to inform our clients and others about legal matters of current interest. It is not intended as legal advice. Readers should not act upon the information contained in this article without seeking professional counsel.*

## Forensic Accounting: Beyond the Numbers

— by Chris Frederick, Matson, Driscoll & Damico

Until recently, when I told people I was a forensic accountant I would just get blank stares in return.

But that has all changed. With the rapid succession of corporate scandals that threatened to mar the reputation of the business world and the accounting industry and the resulting legislation aimed at opening company books, the profile of forensic accountants has suddenly become much more prominent.

Forensic accounting is the practice of using accounting, auditing, and investigative skills to assist in insurance, legal or criminal matters. Since 9/11, forensic accountants have taken a lead role in tracking down terrorists by tracing their funding sources. Even characters on popular TV shows such as *Law & Order* and *The Sopranos* can be heard calling for forensic accountants to help track down hidden or lost funds or provide expert testimony in the courtroom.

Roughly six percent of corporate revenues are lost because of fraud, translating to about \$600 billion per year, according to the Association of Certified Fraud Examiners. When the econ-

omy turns sour, the result is often an exponential increase in fraud as dishonest employees maneuver to attain their share of undeserved profits.

Which begs the question, when would *you* need a forensic accountant?

Forensic accounting is primarily segmented into two areas: Investigative Accounting and Litigation Services.

### Investigative Accounting

A key trigger for hiring a forensic accountant is when a company comes across financial discrepancies; although forensic accountants are also retained to help sort out business valuations, business dissolution, profit share disputes, breaches of contract or instances of professional negligence.

Forensic accountants are generally contacted by insurance companies when they have a client who suspects criminal activity in its company. Offenses can range from embezzlement, which is the most common type of corporate fraud, to kickback plots, identity theft, or conversion of corporate assets for personal use.

In each of these cases, forensic accountants begin by reviewing in detail the company's financial records, from ledgers and

(See **Forensic Accounting...** continued on page 4)

## Forensic Accounting... *(Continued from page 3)*

bank statements to cash reconciliations. They also go through computer files to look for traces of hidden and deleted financial data.

Along with suspected criminal activity, forensic accountants are called in for product liability issues, or when a business experiences interruption and needs to calculate the resulting economic losses. Business interruptions can be caused by any number of factors from natural disasters, such as hurricanes, floods and tornadoes, to sudden and unexpected closures, such as plant explosions or the massive northeast black out in 2003.

If a company is experiencing a product recall or has suffered a business interruption, valuation experts within the forensic accounting firms are called in to accurately calculate how much money will be lost while the company is out of commission.

In cases of criminal activity, most companies give access to their employees to answer questions from the forensic accountants. However, forensic accountants can also work discreetly behind the scenes, oftentimes observing the alleged criminal activity in progress.

Finally, when working with a forensic accounting firm, it's essential to make available as much financial information as possible, as early as possible. The more access forensic accountants have to information, the more quickly they can develop an accurate analysis and recommend internal controls that owners can implement to reduce the likelihood of fraud.

### Litigation Services

Once the investigative work and forensic audit is complete, forensic accountants often transition into the courtroom. Forensic accountants are hired by attorneys to investigate the financial trail of suspected criminals and are often used in bankruptcy court to verify asset information. Divorce attorneys also use forensic accountants to ascertain if assets are being understated or liabilities are overstated.

Taking on the role of expert witnesses, forensic accountants traditionally assist during all phases of discovery, depositions and through testimony at trial. Attorneys for claimants and defendants often rely on forensic accountants to communicate financial matters in a clear and concise way that is easily understandable to the judge and juries.

Not all litigation services are delivered from the witness chair, however. Attorneys also look to forensic accounting firms to work behind the scenes building a case by reviewing financial data and distilling the information as well as assisting during all phases of discovery, depositions and alternate dispute resolutions.

Working with both criminal and civil cases, forensic accountants are also brought in to provide input on matters of contractual disputes between feuding business partners. Retaining a forensic accountant early on in a dispute often helps both parties come to a settlement before meeting in front of a judge.

Forensic accountants are half detective and half accountant, delving into financial books to uncover and ultimately prove what most business owners might only suspect. They look below the surface of the company's financial results to understand why they are as reported. If you are concerned about potentially dodgy activity within your client's business, a forensic accountant can either put your mind at ease or help give you the proof to rid that company of the problem. ❖

— *Chris Frederick, is a Senior Manager in the Seattle office of Matson, Driscoll & Damico, an international forensic accounting firm. For more information visit [www.mdd.net](http://www.mdd.net).*

### Blue Bucket Drawing



October's winner was **Bob Kerslake Jr.** from the WA-OR Claim Service, HOWEVER, since Bob was not present at our meeting, the pot increases to **\$200 for November.**

Must be present to win November 19!

### October "Winners" List

#### \$25 Adjuster Drawing

M. Elizabeth Roche  
PEMCO Insurance

#### \$50 Adjuster/Member Drawing

Mari Laundroche  
Grange Insurance

#### \$25 Vendor Drawing

H.W. Buckingham  
International Claims Specialists

#### Vendor of the Month Gift Basket

*Provided by Superior Cleaning*

Mari Laundroche  
Grange Insurance

## Advertiser of the Month

### **Matson, Driscoll & Damico**

10900 NE 8th St., #1040  
Bellevue, WA 98004

(425) 455-0056  
Fax: (425) 453-0052  
[www.mdd.net](http://www.mdd.net)

# Adjustments

If you have any questions and/or any "Adjustments" please contact **Jay Jared**, *Cunningham Lindsey* at  
Phone: 425/672-0160 Fax: 425/672-0106  
Email: [mjared@na.cunninghamlindsey.com](mailto:mjared@na.cunninghamlindsey.com)

## Health Notes

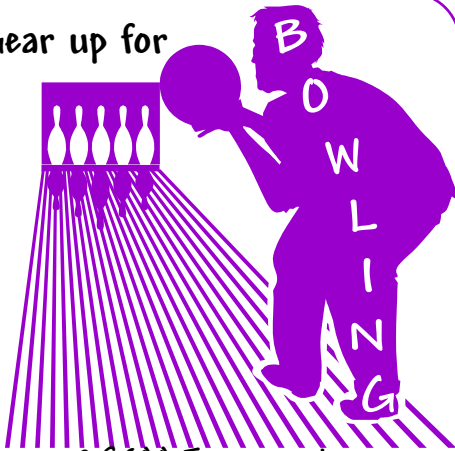
### General Good Health Habits to Stave Off the Flu

The behavioral components to help prevent the spread and contraction of the flu can be summarized in "Four C's":

1. Contact: Avoid close contact with people who are sick. If you are sick, keep your distance from others to prevent them from getting sick. Equally important is avoiding contact with your eyes, nose and mouth since the virus spreads by entering the mucous membranes in these areas.
2. Contain: If you are sick, stay home from work, school and public areas. By doing so, you will help others from getting sick too.
3. Cover: Cover your nose and mouth with a tissue when you sneeze or cough to protect others from getting sick. Since you may be contagious even before you realize you are sick, it is important to make this habit routine.
4. Clean: Clean your hands in hot soapy water often. Hand washing is one of the most effective, yet overlooked ways of preventing the spread of illness.

All the steps are simple and effective, but hand washing is of utmost importance. ❖

Gear up for



2 SCAA Tournaments  
scheduled for  
**February 18 & April 15**  
Sunset Bowl in Ballard  
\$15 per person  
More info to come!



"What has two legs and can be seen running fast every third Friday of the month? An adjuster on their way to an SCAA meeting!"  
**November 19 — Be there!**

## Plan Ahead ~ Plan Now

To attend the **2005 SCAA Spring Seminar & Vendor Fair**  
Scheduled for **March 11, 2005 ~ DoubleTree Hotel, Seattle**