

FORENSIC ACCOUNTING

DOCUMENTING AND QUANTIFYING YOUR INSURANCE CLAIM

In the September 2004 issue of Bourgeois Bennett's bi-monthly *Review & Outlook*, we reviewed the need for business interruption insurance. Now in the wake of Hurricane Katrina, that need has become an unfortunate reality and proper documentation and quantification of your claim is critical.

Coverage for your structural and contents losses are covered under your property and casualty (P&C) policy. These losses must be properly documented by listing actual purchase prices and estimated replacement costs. Providing pictures of damaged items before and after the loss, if possible, is an excellent documentation procedure.



Your P&C policy is also likely where business interruption coverage will be provided. The objective of business interruption insurance is to financially compensate you, the insured, to make you "whole" for the period of loss until your business is fully recovered. Typical policy language covers net profits plus any continuing expenses, including payroll. Another way of stating the loss is ordinary gross profits plus additional costs incurred as a result of the loss. The "business income" formula

may be further defined by policy language.

If you have a covered loss, complex policy language and loss measurement procedures often require retaining an accounting firm experienced in quantifying losses. An experienced forensic accountant will be familiar with policy language and the terms under which a

business interruption is defined. Retaining a financial expert allows you to focus on recovering from the loss and run the daily affairs of your business, rather than spending time attempting to wade through complex policy language to accurately document your claim as required

under the policy. Insurance companies and law firms have often retained our services in these matters.

BB Recommends: Losses not covered by insurance are tax deductible. Quantification of your losses over and above policy limits is still necessary for tax purposes and for possible recovery from sources other than your insurer. If your business or insured has suffered a loss or if you have any questions, call your BB professional or Philip Monteleone in the New Orleans office.

Philip P. Monteleone, CPA, CMA, CFM

Philip is a Manager in Litigation and Forensic Accounting Services. His expertise includes calculation of damages in admiralty, business interruption insurance, fraud and embezzlement claims, lost profits, shareholder disputes and a variety of other disputed matters. Philip's experience includes over 100 engagements in the litigation and forensic accounting field for local and national law firms and insurance companies. His degree in

Finance and completion of the Series 6 and 66 NASD securities license exams enables him to consult on business valuations, capital budgeting, investment decisions and securities arbitration matters. After graduating with honors from LSU, Philip earned a Masters in Accounting from the University of New Orleans, where he taught classes and worked on various research projects. He continues to teach

university classes and professional education courses. Philip is also a Certified Management Accountant and a Certified Financial Manager. He serves on the Society of Louisiana Certified Public Accountants Litigation Services Committee and is a member of the American Institute of Certified Public Accountants, the Institute of Management Accountants and the New Orleans Claims Association.



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