

RISK MANAGEMENT

Changing times bring new threats to Houston commerce

The effects of a global recession, credit crunch and subprime lending crisis, not to mention a hurricane, have created problems that threaten to close down many businesses, say Houston experts.

Below, they explain new risks brought on during the past year, their possible effects and best advice for those facing them.

Post-Ike insurance claims

Paul Berger
Founder and principal of Claim Solvers, a public adjusting firm



Berger

THE DANGER According to government statistics, an estimated 40 percent of small businesses never re-open after a disaster.

Unfortunately, many find recovering from physical storm damages is just the beginning of their problems as numerous additional obstacles to recovery have been added by their insurance provider. In 2007, the Consumer Federation of America and seven other consumer organizations issued a report concluding that property/casualty insurance companies routinely delay, deny or underpay claims after a disaster such as Hurricane Ike. Their goal is to maximize insurance company profits by minimizing claim payments. While this strategy has proven successful for insurance companies and their shareholders, it can be a death sentence for a business.

ADVICE Read your policy and

help. Most large corporations employ public adjusters on commercial claims to ensure that they have an expert representing their interest. Policyholders can also turn to an attorney, who may file suit against their carrier for breach of contract and bad faith.

Slow collection efforts

Erica Harris
Partner at commercial litigation firm Susman Godfrey LLP



Harris

THE DANGER In the current economic environment, a failure to pay is more likely to reflect a serious cash flow problem. That could bankrupt a debtor in a relatively short period of time. Similarly, performance problems may reflect stresses on operations that result from the economic crisis and will not be resolved over time.

Litigation often ends a business relationship and this reality makes many loath to file suit. In today's market, however, businesses should carefully consider whether the relationship at issue is worth saving. Filing a suit after an entity files for bankruptcy or dissolves is likely to leave your business in a very undesirable position.

ADVICE Manage risk more carefully. As soon as a commercial dispute arises, companies need to fast-track their negotiation and dispute resolution efforts. Calls need to be made in a matter of days and meetings set in a matter of weeks, not months. Cooperative arrangements need to be short-term to minimize the risk of failures in the longer-term future.

By the same token, if it is your company that is having difficulties meeting contractual obligations, you need to address the problem quickly. Credit markets are already tight and a lawsuit will multiply the difficulty in getting much-needed credit to help you through the difficult times.

SEE RISK SURVEY, PAGE 29

