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## Insurance Industry Practice Group (IIPG): A Dynamic Approach To Client Service

*The Editor interviews Edward A. Peterson, Chair of Winstead's Business and Transactions Department and Stuart M. Reynolds, Jr., Chair of the Insurance Industry Practice Group, Winstead PC.*

### **Editor: Why did Winstead create the Insurance Industry Practice Group?**

**Peterson:** The underlying reason was that we felt that we could serve our insurance industry clients better if we communicated and organized in a way where we focused on the industry. This gave us a broader view of each client's challenges. We had a substantial number of lawyers serving the insurance industry but there was no consolidated focus. We might have a litigator doing work for a life insurance company and a banking lawyer or real estate lawyer doing work for the same company or another insurance provider but they were not focused on the industry as such and the trends in the industry.

**Reynolds:** The insurance industry is highly regulated by the states but there has been a growing trend towards federalization to give companies the option to move to federal regulation. The McCarran-Ferguson Act has exempted insurance companies from certain aspects of the antitrust laws since 1945. A change in the regulatory environment from state to federal would bring a lot of new issues before the insurance industry in addition to those it already faces in state jurisdictions. That is one of the areas of potential change in the industry that made us recognize that we had to bring all of our skill sets together to be able to deal with the industry's challenges. Regulatory aspects have an overlay with many of our clients, whether we are



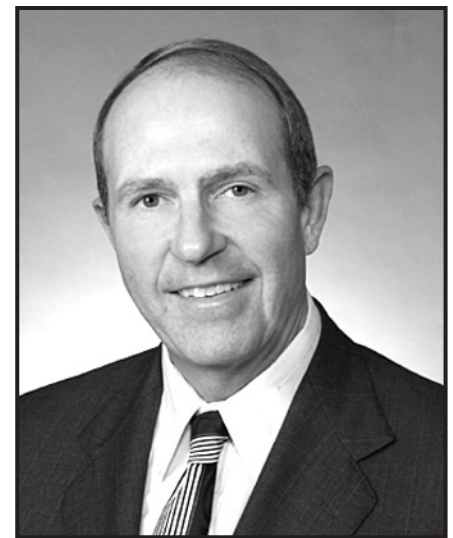
**Edward A. Peterson**

representing insurance companies, brokers, agents or even financial institutions that deal with insurance companies.

Another reason for developing the industry group is that the financial services industry has been rapidly evolving. Insurance companies have entered into new investment vehicles, shifting from conservative approaches to looking at modern age products including real estate; these two areas, financial products and real estate, are predominant strengths in our firm.

### **Editor: Explain what you mean by an "industry-focused" approach to client problems?**

**Peterson:** We looked at the industry as being comprised of various segments. Certainly, a big part of the insurance industry is the financial services area, the investment side. In insurance more than in other indus-



**Stuart M. Reynolds, Jr.**

tries, litigation is an integral part of the business because claims on insurance policies are made on a regular basis. Another aspect is the corporate needs of insurance companies. Many mutual companies have converted to stock companies and now have to meet all the requirements of a public company. Then there is the overlay of the regulatory component because each company is regulated by the various state regulators. By bringing the various legal expertise together in one practice group, we believe that the firm brings value to our clients with an organized industry approach.

### **Editor: What areas of the law are necessary to make the insurance industry focus work?**

**Peterson:** Our firm brings expertise in regulatory, tax, banking, real estate, corporate,

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litigation and bankruptcy to bear on the legal needs of the industry. We have lawyers who have worked in the regulatory area, two of whom were former general counsel of the state insurance department in Texas. We have experienced litigators who have litigated class actions and other types of insurance claims, insurance coverage cases, antitrust cases, all matters which are part of what goes on in the industry. We have lawyers who have pioneered demutualizations, done public offerings, handled debt and private placements. Some of our lawyers have helped to develop products for the life insurance industry. We also have an expert on reinsurance and a bankruptcy attorney who is a part of the industry group. There is a need for bankruptcy expertise, especially on the investment side, because certain segments of the investment community have their assets in cyclical investments. We also have lawyers who handled a couple of the large bankruptcies of insurance holding companies ten to fifteen years ago. All of these practices fall within the three legs of the stool – investments, litigation and corporate – overlaid by the regulatory aspects. We believe that we can bring to the table more creative solutions by operating as an industry group and then organizing teams that have the necessary expertise to create solutions.

**Editor: How are clients responding to this approach? Have you demonstrated added value to clients by bringing an industry team to the table?**

**Reynolds:** The clients are responding very well because, as with any relationship between an attorney and a client, the time it takes to educate our lawyers on the subject matter is often minimized. We add value because our clients do not have to pay us to learn about their business.

**Peterson:** We pride ourselves in having lawyers that have been through the transactions and the type of legal matters that insurance companies deal with every day.

**Editor: What are some of the successes you'd like to share with the audience?**

**Peterson:** We have handled more than 100 rule making hearings around the country before state insurance departments. We have handled over 250 contested administrative hearings. We have had more than 50 state court appeals or challenges to agency

decisions. We have handled multi-billion dollar mergers and acquisitions and a number of demutualizations. We have designed Sarbanes-Oxley and Patriot Act compliance programs for insurance companies and handled debt issuance and private placements for numerous companies. We are national and regional counsel for life insurance company lending programs and we have structured documentation for major investments. We have been involved in structuring a number of new insurance products and we have handled national class actions, major coverage issues and agency issues for our clients.

**Reynolds:** We also have some specialists in environmental insurance products which we have designed for industry groups. As the new financial product side of the business increases, particularly where new products involve large real estate matters, there is a substantial environmental impact that must be considered. Through our discussions of products that are needed but do not currently exist, we have come up with ways to structure some new products and insure against certain risks. That is cutting edge knowledge and involvement on the front end of the industry growth curve.

**Editor: Could you give our readers some anecdotal examples?**

**Peterson:** One of the more sophisticated matters we handled was a workout matter for a large East Coast insurance company which was a credit enhancer of a large portfolio of properties all over the U.S. The properties, packaged by a developer and sold to institutional clients, declined in value. Because our client was the credit enhancer, it was concerned that it would be obligated to pay off the debt. We were engaged to handle a large workout relating to these properties, a bankruptcy and then a sale of the properties. We brought in our corporate lawyers who worked on the partnership aspects, attorneys versed in real estate and real estate workouts for life insurance companies, litigators and bankruptcy lawyers. When our negotiations to restructure the debt failed, the developer put the property in bankruptcy and we brought in our bankruptcy lawyers. In the end the bankruptcy court turned the properties over to our client who sold all the properties to recover the full principal amount of their potential obligation. We were able to bring together at least five different disciplines to work on that matter to

bring it to a successful conclusion for our client.

**Editor: What business trends and future impacts do you see affecting the insurance industry?**

**Peterson:** We are seeing a variation of old-line investment products, commercial mortgage loans and bonds. More investment is being placed in equities as opposed to debt. Insurance companies have found that the investment return is higher if you are an owner rather than being a holder of a fixed rate investment. Going back to the 1980s, the insurance industry changed tremendously when it switched from whole life to universal life policies. This in turn changed the whole industry when those products became the norm rather than the exception.

**Reynolds:** In terms of the growth of the healthcare industry, the move towards universal healthcare will certainly have far reaching changes in many aspects for the insurance industry.

**Editor: How will you be positioned to help clients with these challenges?**

**Peterson:** Because of our structure and the way we look at client service, we are uniquely positioned to be helpful both in the everyday challenges that companies face in relation to the development of new products and new approaches and in the event of economic downturn. We have experienced lawyers who have been through downtimes, and we can bring to bear all the different types of disciplines in a team approach that is fairly unique in the financial services field. One of our firm's core strengths is financial services, which includes the insurance industry. Our group has been working as a team since 2002, and we have been very pleased with the way this structure helps us serve our clients.

**Editor: Is there anything else you would like to add regarding Winstead's IIPG?**

**Reynolds:** When we get together we are energized and discover what others know. When we complete a meeting, it is almost invariably true that one of us has learned something from the others' skill sets that will help a current client. By that kind of cross-pollination, we are confident that we are well placed to add value when serving our insurance clients.