

Insurance Practice Takes A Comprehensive Business-Minded Approach

The Editor interviews Patrick C. Reeder, Of Counsel, Stradley Ronon Stevens & Young, LLP.

Editor: You have spent more than 18 of your 22 years of practice working in an in-house role. What prompted you to make the move to Stradley?

Reeder: I imagine many in-house attorneys contemplate moving to private practice on a regular basis; and it is something I had often contemplated. Being a business lawyer was one of the most enjoyable aspects of being in-house counsel, but it also limits you to working on issues for a single client. At Stradley, I do the same work, but for a variety of clients and involving a broader range of issues, which is exciting. I have known and respected Stradley for 20 years, having been a client of the firm earlier in my career. We worked together on some significant matters, including complex litigation; thus, Stradley was a natural choice when I decided to pursue private practice again.

Editor: Was your in-house experience with insurance-related companies?

Reeder: Yes. I have worked at several large insurance companies and intermediaries during my career. Just prior to joining Stradley, I was in-house counsel and a government relations specialist for Genworth Financial in Richmond, Virginia.

Editor: Your practice crosses the line between life & health and property & casualty, which is unusual. Talk to us about that.

Reeder: I had a great opportunity in the insurance business to gain a wide range of experience that included a somewhat rare combination of working with both property & casualty and with life & health insurance companies. It made sense to return to private practice, particularly to Stradley's Insurance Practice Group, which values and shares this broad range of legal experience and working knowledge of the insurance business.

Editor: Please talk about Stradley's Insurance Practice Group.

Reeder: Stradley Ronon's Insurance Practice Group helps insurers, reinsurers, producers and intermediaries manage the full range of legal issues that impact their business. We also counsel other business clients with insurance issues. Our experience runs the gamut, from significant transactional matters and regulatory questions to complex litigation matters. We have significant practices in coverage litigation and counseling, advising on regulatory issues and market-conduct investigations, transactional matters, as well as general government affairs and business and new product development. The firm is headquartered in Philadelphia, and I am based in the DC office. Our practice partners with other practice groups in the firm, including Stradley's stellar investment management practice group. The firm's investment management practice has earned national recog-

ognition for the range and breadth of its representation of investment company clients – with more than 700 separate funds and assets under management exceeding \$1 trillion – including several of the largest investment company complexes in the country. There is a very logical connection between that practice and the insurance business. I am working to expand the insurance practice into the DC office.



Patrick C. Reeder

Editor: Does the DC office add particular depth to the regulatory compliance and government affairs/relations aspect of the practice?

Reeder: Yes, and that is the core of my practice and a natural fit for insurance and other financial service companies, which are highly regulated. Although insurance regulation is still largely state based, we see a growing federal involvement in all areas, but obviously, most prominently, in healthcare, and we serve a number of health insurance companies. Every aspect of the business connects to regulatory compliance, and because we understand how the business works, we can provide crucial context and resolve issues at a very high level.

Editor: I imagine this includes helping corporate clients manage through the uncertain process of rulemaking in the wake of legislation.

Reeder: Yes. For example, I regularly attend the NAIC's national meetings, where regulators and industry representatives discuss new legislation, including rulemaking processes that require extensive inquiry and present a huge range of potential litigation issues. Current discussions include reserves in the life insurance business, and companies and regulators are working hard to reach consensus. Lawyers in our Insurance Practice spend a lot of time talking to clients and regulators, often facilitating direct dialogue toward the common goal of making sure the industry stays healthy. In theory, this should be straightforward; however, in practice, the players often find themselves at odds, and it's often our job to help them resolve their differences.

Uncertainty in the rulemaking process is detrimental to business under any circumstances, and insurance companies are no exception. It takes time to vet and implement compliance procedures and establish internal training programs, so companies need lead time once the rules are set. Absent clear guidance, companies are left to operate in good faith based upon their best guess as to the outcome of rulemaking processes. Naturally, during the rulemaking process, companies want to exert as much influence as possible – not necessarily to oppose the rules but certainly to advocate for reasonable rules and a rational allowance of lead time so companies can digest the rules and set up compliant operations.

Editor: How does your past experience working directly with 35 of the 51 state

insurance departments make your practice a fit for Stradley?

Reeder: It is important to build relationships with clients and regulators in order to establish a meaningful dialogue. My work over the last ten years with state insurance departments includes contact with legal staff, actuaries and the specific departments that review policy issues. During a market conduct exam, for example, I will work with clients and the state department to address questions and concerns. If the company made a mistake, we face it and openly share the company's plan to fix it.

This challenging effort to make personal contact within the state insurance departments was far superior to simple emails or phone calls; it enabled me to understand the perspective of both regulator and company and to place regulators and carriers in the same room. While no one can guarantee a happy outcome, this face-to-face contact drives a productive realization that all parties are real people trying to do their jobs.

Fundamentally, insurance companies and regulators have the same goal with respect to consumers: carriers make promises they intend to keep and regulators seek to ensure those promises are viable and honored in practice. Regardless of the issue at hand, there is always common ground on this basis. Reaching consensus, however, requires credibility, mutual respect and the ability to winnow away extraneous issues.

Editor: Has the group had any notable recent representations or deals that you can share with us?

Reeder: Our coverage litigators routinely obtain successful outcomes for a variety of companies. On the regulatory side, we have recently engaged in a couple of receivership proceedings in Delaware, and we continue to be engaged as liquidation counsel in Pennsylvania. We were just engaged to assist with a mutual company merger. A very big life insurance company retained us to help with a new product launch and expansion of its product suite, which included first helping them to completely understand the product and then deal with compliance and distribution issues. Companies regularly retain us for discreet regulatory problems that arise, and we obviously do not talk about those items, but because of our relationships and continued problem-solving successes, Stradley's practice in this area continues to grow.

Editor: Tell our readers about some of your key initiatives for the coming year.

Reeder: My goals fall into three broad categories. The first involves new developments in products, distribution and redefining the insurance business in manufacturing terms. When companies decide to enter the market with new/retooled products or methods of distribution, they need to reach consumers, and we provide counseling on how to build products in compliance with applicable laws and regulations. Such counseling, particularly on the life and health insurance side, is a primary focus of my practice.

The second category involves proactive management of existing issues and the virtual certainty of mistakes. In a regulated industry, companies and their advisors are distinguished by how they react to mistakes, so I've spent a lot of time educating companies (I teach a class on regulatory compliance) and helping them build a culture of compliance. Companies must learn to scope and identify problems, report and solve them and, ultimately, establish policies and procedures to prevent future issues. We regularly perform audits and delve into a company's claim procedures and existing operations to help it accomplish its business goals while remaining in compliance.

The third category involves focus on future legislation and its requisite rule-making processes, including counseling companies that are subject to rules that may or may not be implemented. There are many potential legislative and regulatory issues at the state level. The Federal Insurance Office just named its insurance experts, including consumer representatives and state insurance commissioners. Congress just held hearings with the director to discuss how the office will function going forward, which is of obvious interest to insurance companies; thus, we are managing an evolving and unknown future as these national developments play out.

One of the things that drives this third category is that U.S. state regulatory agencies, the NAIC and international regulators are working together to try to determine optimal procedures, such as common methods of measurement and group supervision. Large multinational insurance groups tend to be a challenge to a regulator because of the scope and reach of their business, and from a company standpoint, being subjected to multiple, duplicative regulatory schemes is obviously a challenge. My goals include continuing to be part of the solution by working with regulators and companies to develop practical solutions to these problems.

Similarly, another developing issue in which we have been engaged involves a new model holding company law just adopted by the NAIC, which is a voluntary working group of chief insurance regulators from all 51 states, Puerto Rico and some U.S. territories. While the model law has only been implemented in a few states so far, it carries some weight in addressing issues with respect to solvency monitoring, enterprise risk management, and international group supervision.

Editor: Do you have any final thoughts for our corporate counsel readers?

Reeder: As an in-house attorney, I found it was easy to become entrenched in specific problems or projects and tasks and lose sight of the big picture. Excellent legal representation in the insurance industry requires an understanding of business, legislative and regulatory issues and the ability to discuss product development, market conduct examinations and distribution matters from a business perspective. In-house counsel need to make sure that their advisors understand their business and the context in which legal issues arise.

Please email the interviewee at preeder@stradley.com with questions about this interview.