‘CHEAP LEGAL SERVICES CAN PROVE EXPENSIVE IN THE LONG RUN’

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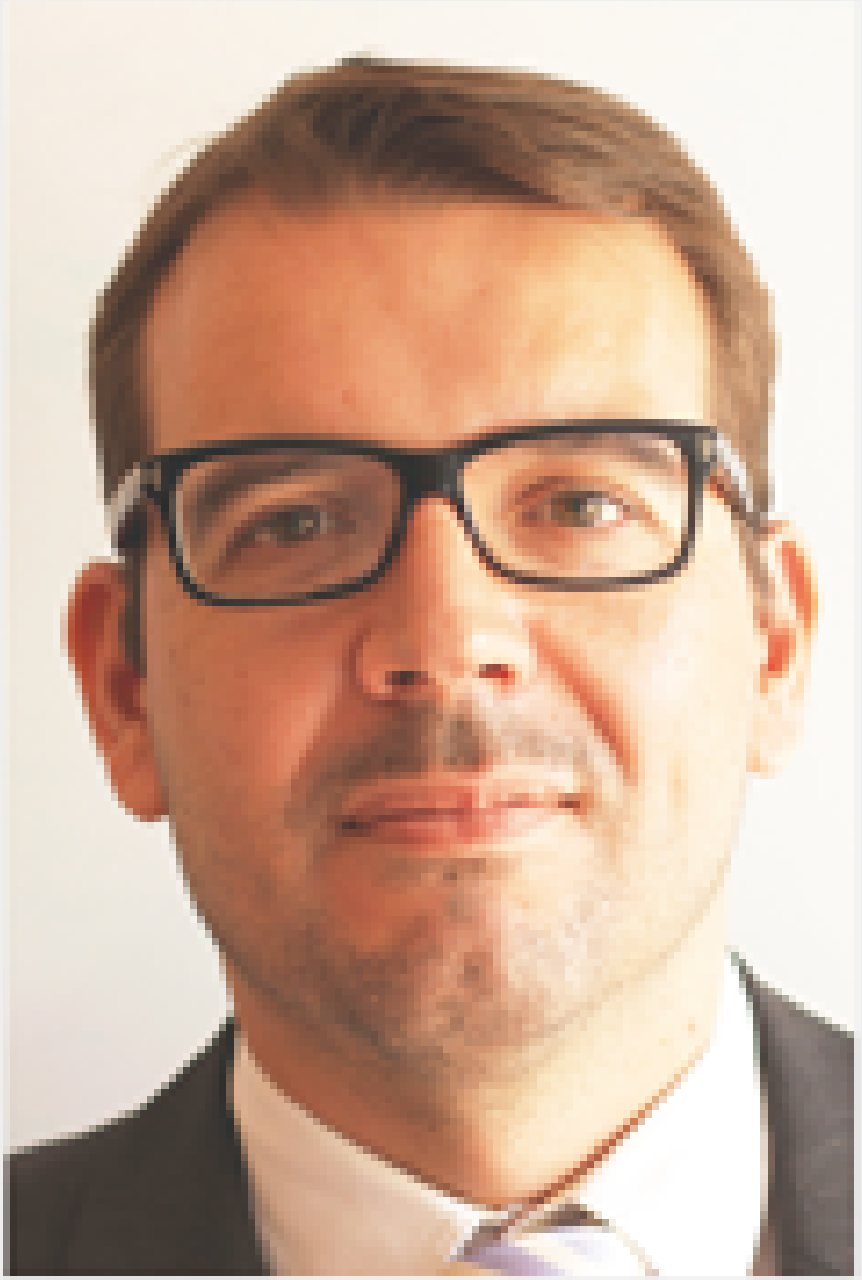

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Law firms cause frustration when they only offer legal solutions – advice must have legal commercial and economic aspects, says Grupo Catalana Occidente's Joaquín Guallar Pérez

The heavy focus on dispute resolution work at Grupo Catalana Occidente – the insurance giant that offers healthcare, motor, life, home and credit cover, and which generates an income of more than €4 billion – means that, in addition to using major law firms to handle 'big-ticket' corporate work, the company also uses an array of smaller firms across Spain, explains legal director Joaquín Guallar Pérez.

"Litigation is inherent to our business because insurance is needed to cover events – such as individual car accidents, health problems or civil liabilities – that often end up in court," Guallar Pérez explains. "There is also the big-ticket litigation derived, for instance, from civil liability relating to real estate, or concerning professional negligence in an IPO or M&A transaction – being a national insurance company, covering both consumers and commercial clients, we have to have a vast network of law firms across each region in Spain."

Guallar Pérez says the group has a network of approximately 270 lawyers handling claims across each region in Spain. "These are usually local law firms because they handle small and mid-size claims where the law firm location and the knowledge of the local courts is a plus," he says. "The law firms are divided by area and by the type of insurance claim – we use technology to manage and assign the claims to the best law firm available depending on factors such as location, specialty and amount involved, it's similar to the way banks manage their litigation panels."

Guallar Pérez adds that, in addition to day-to-day claims management, Grupo Catalana Occidente also has to use "high-end law firms" for the bigger cases. "We don't tend to call the big firms unless it is a major crisis," he explains. Guallar Pérez says he also uses this type of firm for premium corporate work, such as M&A, capital markets and regulatory matters. He names Cuatrecasas, Gonçalves Pereira and Garrigues as two of the firms Grupo Catalana Occidente has worked with.

Biggest frustration

"External advisers first and foremost really need to understand our business and corporate culture because, if they don't, then we soon run into problems," Guallar Pérez says. "The biggest frustration I have with law firms is when they only offer the legal solution – they need to empathise with clients' issues and realise that the legal approach to solve a certain matter has to be combined with its commercial, practical and economic aspects." He adds: "We don't want a forty-page memo but rather a succinct, all-round solution."

Guallar Pérez says senior executives at Grupo Catalana Occidente take a pragmatic approach to legal costs. The company´s involvement in legal disputes across the country means that it is impractical to travel across Spain to attend individual court hearings and it is considered more efficient to manage a network of external advisers who handle the cases rather than dealing with them in-house. Guallar Pérez adds: "In addition, the outcomes of the cases are measurable in terms of the cost of the law firm, and the cost of the claim."

According to Guallar Pérez, companies can end up regretting a decision to simply choose the cheapest law firms. He adds: "The board is understanding on corporate legal advice. The company is listed on the stock exchange so filings and corporate governance is a major consideration. Buying cheap legal services can prove more expensive in the long run if such matters are not handled properly."

Guallar Pérez's focus has recently been on Solvency II, the pan-European rules concerning capital and liquidity requirements for financial institutions. "Solvency II comes into force in January 2016 and corporate governance, internal control and risk governance are high on the agenda," he says. "Drafting advice and solutions is the easy part – it is much harder to implement them in such a large group of companies, this is one of the major tasks that we have been working on."

Guallar Pérez adds that he believes Solvency II will lead to more transactional and restructuring work, not just for Grupo Catalana Occidente, but in the wider financial services market in general.

“Solvency II has pushed insurance companies to make a decision on their smaller units regarding exactly what to do with them,” he says. “The cost burden of complying with Solvency II may be very high for a small business so smaller insurance companies will have to either integrate those units, sell them or liquidate them – it will be much harder for smaller insurance companies to keep-up with the regulations and I expect there to be more consolidation in future.”

Joaquín Guallar Pérez is legal director at Grupo Catalana Occidente. He was also a winner of an “Outstanding Achievement Award at the Iberian Lawyer 40 under Forty Awards 2015.