

HCC GLOBAL FINANCIAL PRODUCTS: MANAGING THE RISKS: A UNIQUE APPROACH

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For Jochi Jiménez, General Counsel and Compliance Officer at HCC Global Financial Products (HCC Global), the global economic crisis is bringing changing legal requirements, opportunities and risks.

For many companies, the current economic and business climate is placing an increased emphasis on managing risks. "For HCC Global this is not only the nature of the business but also the way we have always conducted it," says Jochi Jiménez, General Counsel and Compliance Officer. "The result is that while many companies in the insurance sector are struggling to survive we are preparing to expand."

La crisis económica internacional está generando cambios en los requisitos jurídicos, las oportunidades y los riesgos que corren las empresas, señala Jochi Jiménez, director de Asesoría

Jurídica y Cumplimiento Normativo en HCC Global de Productos Financieros. En muchas sociedades, opina, se está concediendo mayor énfasis en buscar la mejor manera de gestionar estos riesgos. Mientras muchas compañías del sector de las aseguradoras están luchando por sobrevivir, HCC se está expandiendo a través de la adquisición de negocios internacionales. HCC Global is an insurance agency headquartered in Barcelona and a market leader in directors' and officers' insurance and other financial lines. A subsidiary of New York Stock Exchange-listed HCC Insurance Holdings Inc (HCC) it is one of the world's largest speciality insurance groups, rated AA by Standard & Poor's and A+ by A.M. Best Company.

"Despite our location, HCC works along divisional business lines, so the legal team sees the world in the same way the group does. Domestic Spanish issues account for only a small percentage of the total specialist insurance and financial services coverage business portfolio, which extends across 70 countries," he says.

A former Cuatrecasas lawyer with international experience at Loyens and Cravath Swaine & Moore, Jiménez leads a six-strong legal team with responsibility divided along group lines and territories. The team manages the legal issues affecting HCC Global's business around the world with the exception of the US, where a separate Houston-based legal function manages North American and holding company issues.

But as well as overseeing HCC Global's legal, corporate and compliance needs, Jiménez also holds joint responsibility for the international M&A team, working alongside HCC Global's former CFO Veronique Gob. "Our role encompasses the financial, strategic and legal matters, and also tax and structural issues for the entire business. I manage regulatory, legal and tax issues while Veronique is more focused towards strategy, marketing and financial issues but all decisions are made in consensus," he explains.

The responsibilities of the legal team are split geographically and members are expected to have extensive cross-border experience, with individual lawyers responsible for southern European, continental northern European, UK, Asian and Latin American issues.

The past year has however seen some changes, he explains. As the group looks to expand so has the team, with the arrival of a new lawyer responsible for continental central, eastern and northern Europe, from the Paris-based legal department of AIG, as well as the appointment of a UK and USqualified lawyer to manage issues emanating out of HCC Global's London branch.

"The depth of our expertise is demonstrated by the hire of our local UK counsel, Adam Barker, the former managing partner of niche insurance firm Sedgwick Detert Moran & Arnold, with over 35 years of experience in the sector. Within his remit he now manages all of our UK legal and regulatory issues as well as those that surround the Lloyds insurance market."

English, says Jiménez is the working language of the company, even for the legal team in Barcelona. "Something we purposely take advantage of is the international outlook of our team. Within the Barcelona office we have 65 people from 23 different countries and everybody in the legal team speaks at least three languages."

Legal roles

The legal team manages all the core areas of the company's business, encompassing corporate, commercial and regulatory issues, but Jiménez emphasises that its remit extends well beyond a mere legal function.

"We help assess compliance issues, business and policies' risks. Along with the Claims department we also review and amend terms and conditions of the agreements we enter into as a company.

The nature of our business is that everything we do is bespoke. We are asked to assess the individual legal risks that surround a particular policy, where we can and cannot do business, what the terms should be and how they are to be drafted."

For the legal team this means greater analysis of the policies that are being proposed, the terms and conditions attached to them and the legal risk profile of the policy holders, "This is not a commodity business. HCC Global cannot write a new policy without our review and further joint approval with the Claims department."

The global financial crisis has however yet to make a significant impact on the day-to-day work of the legal team, he says. HCC has been fortunate to pre-empt many of the major issues that currently affect the insurance sector, but the company now has a 'war chest' of cash to capitalise on opportunities presented by the current market situation and the fall of some of its competitors.

"Two years ago we undertook a strategic review and followed with a scale-back in our business growth plans, becoming more conservative, spending time on training and redefining our business terms and conditions.

We didn't believe that the economic situation could last and took a step back to wait and see if the bubble would burst. We considered it better not to do any business at all rather than take the wrong risks at the wrong time and at the wrong price. An important aspect of our role is to help the business anticipate cycles and consequently to build our team and expertise in advance of any actual need," he says.

He admits however to there being a sense of anticipation within the legal team. "The latter half of the year will likely be very busy; we are already looking for opportunistic acquisition targets, but also as one of the few remaining AA rated insurance underwriters we sense an emerging flight to quality among those with sophisticated insurance needs."

The growth focus of HCC, says Jiménez, plays well with the capabilities of the legal teams. With target acquisitions likely to be in the €100m-€200m range they are deals that are almost entirely manageable in-house; albeit there will always be a need for local guidance. He is now travelling almost constantly and in recent days has been in Sao Paolo, Bogotá, Milan, London and Amsterdam.

A selective approach

Jiménez is clearly confident about the capabilities of his compact team but also its ability to connect with the group's business needs and emphasises the role the team is expected to play in future business development and company growth.

"We are not a cost centre we just produce earnings in a different manner. We use the company's resources in the right way, as well as providing services to the wider group using the international platform we have created here," he says.

The legal team, for example, has helped the group with transfer pricing, insurance premium tax schemes and fringe benefits, while also registering its insurance companies in Brazil. "Since we are constantly updated and receiving information from many different jurisdictions, we come up with ideas for new insurance products. In addition, we are expected to act as the 'eyes and ears' of the company through conferences and seminars. If a client wants a tailor-made solution they come to us."

He makes no attempt to hide his enthusiasm for working at HCC Global, which he inherited as a client while with Cuatrecasas, but admits to having arrived with very little direct experience of insurance regulation. However, a significant focus of his role was to better manage the group's entire legal needs.

“Before I joined virtually everything was outsourced, so from an early stage I was tasked with reducing the amount spent externally and making any use of outside firms more effective. Nevertheless now is more about 'being in the business' than advising the business.”

The situation now, he says, is that the legal team does as much work in-house as it can and only sends out work which falls outside its specific expertise. “What work we outsource we want to be as succinct as possible. I want three bullet points of advice, not a manual on the law, and so look to firms that can give that to me.”

HCC Global uses panels of firms in all major markets in which it operates. Although the emphasis is firmly away from the international network of firms, the list of panel members reads like a “who’s who” of leading firms – country panels usually comprising a major domestic corporate firm, a mid-size firm and where available an insurance boutique.

“It is a question of receiving the right degree of service, of understanding our unique business culture, while avoiding potential conflicts. The leading international networks already usually represent the types of companies and financial institutions with which HCC may occasionally find itself in dispute.” In Spain, he uses Bird & Bird, Cuatrecasas and Garrigues for insurance matters, also Davies Arnold Cooper and Estudio Jurídico Sánchez Calero. In Portugal, he currently uses Uría Menéndez and Viera de Almeida (VdA).

The tie-up with VdA, he says, is indicative of how the company works in markets where there are few specialist insurance law firms. “I was very impressed with the firm when we first met Joao Vieira de Almeida – young, dynamic and professional and ready to go the extra mile – so we agreed to work with them to develop their skills in our particular sector.”

Jiménez emphasises also that he only ever works on a capped fee basis, and that those firms with which he works are inevitably among those most open to new and alternative billing practices. “If firms do not like what we do then we do not work with them. Others see that we are able to help develop their expertise and in some respects accept it as a trade-off.”

The result is that HCC now has around 140 firms on its roster, an increase on the 10 Jiménez used to manage when he first arrived, but which nonetheless he believes are better able to understand the issues it faces and their respective solutions.

“I do not believe in a one-size fits all approach to a company’s legal needs. I see the world in the way our company and our clients do; we want a bespoke service with dedicated expertise, delivered by law firms that understand our business culture.”

Curriculum Vitae	
Name	Antonio García Martínez
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Career to date	President, ASTEL Legal & Regulatory Director, Colt Telecom Lawyer, Cremades & Sánchez Pintado