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INSURANCE LAW

NEWSLETTER OF THE INSURANCE LAW PRACTICE GROUP OF MANATT, PHELPS & PHILLIPS, LLP

SPECIAL EDITION: Be Careful What You Wish for – Issues for Insurers to Consider in Seeking Access to Federal Capital Support

[Harold P. Reichwald](#)

The rush of a number of insurance companies to seek approval to acquire a bank or thrift institution suggests a number of things: In uncertain times, a well-run bank or thrift can provide a relatively stable source of liquidity under the cover of federal deposit insurance, the opportunity to borrow from the Federal Reserve window for short-term needs, and the opportunity to take advantage of specially designed stabilization initiatives offered by the U.S. Government. It may even provide some advance guidance as how a federal regulatory scheme for insurance might impact current insurance company activities. However, as recent events have indicated, failure to consider and plan in advance for problem areas can have potentially serious consequences.

Operating in the federally regulated banking world has its own separate challenges because of the overlay of mandated consumer offerings and other protective measures that generally do not currently affect insurance companies or their affiliates, including mutual funds and investment companies supporting variable life and annuity products. Insurance companies are still state regulated, but the possibility of future federal regulation makes knowledge of the federal regulatory system regarding banking timely and provides a reasonable blueprint of what may be coming.

While the federal government's rescue of AIG demonstrated the extent to which federal support can be applied, the more likely scenario for an insurance company not in such distressed circumstances involves the nuts and bolts of bank regulatory practices, procedures, and safety and soundness examinations. To navigate this potential minefield, any bank

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or thrift holding company needs to be guided by counsel experienced in these matters, from the boardroom to the back office, particularly for companies that are not familiar with the bank regulatory system that would apply to them.

Manatt's Banking and Specialty Finance Practice lawyers, working hand in hand with Manatt's insurance regulatory lawyers, have broad experience and demonstrated capabilities in handling matters involving federal and state bank regulatory agencies as well as extensive insurance regulatory experience at the state level. Working with the staff of the firm's Washington, D.C., office, they are closely following developments relating to the Economic Stabilization Act of 2008 and related Treasury initiatives, and offer counseling to a variety of clients with respect to these matters.

We are happy to offer our counsel in the acquisition of a bank or thrift, the coordination of such efforts on a state and federal level, and expert guidance through the pitfalls and challenges that any such acquisition would present.

For additional information, you may contact Mr. Reichwald. You should also feel free to contact [Paul H. Irving](#), [Ellen R. Marshall](#), or [T.J. \("Mick"\) Grasmick](#) of the Banking and Specialty Finance Practice Group or [Marcia D. Alazraki](#) or [Jeremiah P. Sheehan](#) of the Insurance Industry Practice Group.

For recent Manatt articles on this subject, click [here](#).

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Harold P. Reichwald Mr. Reichwald is a highly experienced banking and finance attorney whose career encompasses domestic and international matters for banks and specialty finance institutions. His experience comprises a broad range of matters including: governance matters, sophisticated financial transactions such as asset securitization, LBOs, project finance, corporate lending and restructuring; representation of a variety of domestic and foreign financial institutions before the FDIC, Comptroller of the Currency, the Federal Reserve Board and other bank regulatory agencies in connection with new product development, chartering new banks and branches, issues arising out of the bank examination process and enforcement actions demanded by regulatory authorities.

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