

DEALMAKERS

Greenberg Legal Team Guides \$134M Purchase of Hawaiian Insurer Zephyr

by **Mary Hladky**

Special to the Review

Greenberg Traurig shareholder Fred Karlinsky helped launch Heritage Insurance Holdings Inc. when the company started operations in 2012 and has represented the insurer on many matters since.

When the Clearwater-based property and casualty insurer set its sights on acquiring a Hawaiian insurer, Karlinsky and a team of lawyers at the firm were called on again to get the deal done.

The \$134 million cash transaction closed March 21, six months after Heritage announced it had agreed to buy Zephyr Acquisition Co. and its subsidiary, Zephyr Insurance Co. The amount is about \$14 million more than projected in the September announcement because Zephyr had higher-than-expected earnings in the second half of 2015 and the first quarter of 2016, the companies said in a news release.



MELANIE BELL

Left to right, Stanley Jacobs Jr., Fred Karlinsky, Richard Fidei, Andromeda Monroe, Reggie Zachariah and Julie Morgan represented Heritage Insurance Holdings in the acquisition of Zephyr Acquisition Co.

“Heritage was looking for diversification,” Karlinsky said. “Hawaii windstorm is the ultimate diversification.”

Heritage is among many insurance companies in Florida that got their start by assuming policies from state-backed Citizens

Property Insurance Corp. as the state seeks to reduce its financial risk by pushing homeowners to private insurers. Since 2012, the number of policies written by Citizens has decreased from about 1.5 million to 490,000.

At the end of December, Heritage had more than 250,000 personal residential and 3,400 commercial residential policies in force, including in Miami-Dade, Broward and Palm Beach counties.

The company went public in 2014 and has expanded beyond picking up former Citizens customers. It began writing policies in North Carolina in February and has received approval to write in South Carolina, Alabama, Mississippi and Georgia.

The Zephyr acquisition gives Heritage a strong presence in Hawaii, where the company has a 30 percent market share for wind-only coverage. Zephyr will add about \$60 million to the \$600 million in premiums Heritage wrote last year, according to the company. The acquisition also will help Heritage spread its risk.

"They went into Hawaii in the best possible way," Karlinsky said. "They bought an existing and profitable business."

Karlinsky is co-chair of Greenberg Traurig's insurance regulatory and transactions group. Other members of the Fort

Lauderdale-based team representing Heritage in the acquisition are shareholders Stanley "Stash" Jacobs, a corporate and securities attorney; Richard Fidei, who focuses his practice on insurance regulatory and compliance matters; and Bruce March, deputy chair of the global corporate and securities practice. Andromeda Monroe, an insurance regulatory senior attorney, and corporate and securities associates Reggie Zachariah and Julie Morgan also worked on the deal.

Greenberg Traurig serves as Heritage's chief regulatory counsel. The fact that the firm has a national insurance regulatory practice helped Heritage because the attorneys are familiar with the laws and regulators in other states.

"We are called by national companies, and they are saying, 'Can you handle this matter without having to associate with other firms?'" said Karlinsky, adding he's happy to be able to answer yes.

"That puts the firm in the unusual position of getting a transaction done that requires not only Florida approval but also Hawaii approval," he said.

The key to completing the transaction was getting the approval of Hawaiian regulators, Jacobs said. He noted Karlinsky has national contacts, knows what regulators outside Florida

will want to know and can move the approval process forward more quickly.

"This transaction highlights our unique value proposition," Jacobs said. "It allows us to bring the key regulatory relationship and expertise together with our expertise in the buying and selling of companies. It allows our clients to do one-stop shopping at Greenberg."

The attorneys filed for change of control of Zephyr just before the holidays last December and received approval by the end of February.

"From there, it was a real sprint to get the transaction closed," Karlinsky said.

In addition to regulatory matters, the legal team handled due diligence, the stock purchase agreement, other documents, intellectual property and employment matters.

The deal comes during consolidation in the property and casualty insurance industry as companies look to cut costs and reduce risk.

"The acquisition of Zephyr Insurance is a major step in our diversification process," Heritage chairman and CEO Bruce Lucas said in a statement when the deal was completed in March. "Zephyr will add over \$60 million of voluntary premium to our book and add strategic diversification to our platform."