

Legal Insurance

“Millions of working Americans struggle each year to manage the out-of-pocket legal fees and stress related expenses associated with unforeseen legal events.”

By Robert L. Heston, Jr.



Executive Summary

Millions of working Americans struggle each year to manage the out-of-pocket legal fees and stress-related expenses associated with unforeseen legal events.¹ The financial challenge for these employees has been exacerbated by the high cost of legal fees with ever-increasing attorney hourly rates that make affording an attorney for an unexpected personal lawsuit almost impossible for today's employees. Now, to assist their employees, many employers have begun to offer an increasingly broad array of voluntary benefits programs that can complement traditional insurance offerings.

Legal insurance is one such voluntary benefit that can help employees cope with the out-of-pocket legal fees, stress-related expenses or lost wages stemming from unexpected and serious legal problems. Neither a liability insurance product nor a substitute for it, legal insurance is designed to complement an employee's existing homeowners and auto insurance benefits. Legal matters that hit employees hard, such as divorce, child custody, step-parent adoptions, contested probate matters, misdemeanors, children's school problems and a host of other personal legal matters are not typically covered by a traditional insurance products. There is no way for employees to afford the high legal fees when they are embroiled in one of these matters.

For employers, legal insurance offers a low-cost way to deliver a more robust benefits package to employees. It also may help lower an employer's stress-related legal costs that arise when employees have unexpected legal problems. For employees, it can provide fully-paid or mostly fully-paid coverage that pays for the out-of-pocket legal fees that employees would otherwise have to pull from savings or retirement accounts.

Although legal insurance is one of the fastest-growing voluntary employee benefits, one benefits study estimated that 28% of employers have installed an employee-paid legal plan to give workers the option of purchasing insurance to cover unforeseen legal fees², more education about the product is needed, both for employers and employees. About two-thirds of employers who do not offer it, for example, say they are still not very aware of the product or its benefits.³

This paper identifies the various types of legal insurance available in the marketplace, examines the trends driving the need for the product, outlines the benefits it offers to employers and employees and describes best practices for employers that may want to implement a legal insurance program.



The Growing Financial Problem

By focusing on programs that uncover and address the underlying causes of employee stress, employers can reduce health care costs by preventing or lessening employee practices and behaviors that endanger their health. HR and benefits managers can search diligently for those programs that address the concealed stresses that fuel certain employee issues before they ignite problems in the workplace.

For example, one set of these external circumstances or circumstances beyond the control of many employees relates to the individual's financial situation, including cash-flow, credit, debt, identity theft and legal problems.

With today's continuing credit crunch, millions of Americans are literally a lawsuit away from being wiped out of their financial position. Each day, hundreds of thousands of employees across the United States receive or dodge calls from creditors seeking to collect on past due debt. Daily, thousands of Americans are dragged into court to defend themselves from lawsuits by creditors. Every day Americans file lawsuits against others and against businesses. The current recession has highlighted the threat of financial debt issues and lawsuits, which has never been greater for an increasing number of American employees each day.⁴

Add to this the burgeoning home foreclosures that contribute to the stress weighing heavily on more and more employees. "The number of U.S. homes receiving a foreclosure filing was expected to climb about 20% in 2011, reaching a peak for the housing crisis, as unemployment remains high and banks resume seizures after a slowdown," RealtyTrac Inc. said. "We will peak in foreclosures and probably bottom out in pricing, and that's what we need to do in order to begin the recovery," Rick Sharga, RealtyTrac's senior vice president, said in an interview. "But it's probably not going to feel good in the process."

This increase in the number of employees and consumers in America being faced with legal problems might cause many to believe that access to lawyers and legal advice is more prevalent than ever. However, reality indicates that more Americans than ever feel disconnected from the legal system and from accessing needed legal advice, and most have the view that lawyers are inaccessible and too expensive.



Stress from Legal Problems for Older Americans

All these stress-related credit and debt issues are causing tremendous amounts of downward pressure on the psyche of American employees. In addition to the stress created from a myriad of their own financial and legal problems, employees are facing the serious financial and legal pressures of their elderly parents. A new AARP study suggests “older Americans, employed and unemployed, may never recover financially from this latest recession, and more than half don’t foresee themselves having enough money to live comfortably in their retirement.”⁵

These are new findings from an AARP public policy institute report. The report is a collection of data taken from a survey of more than 5,000 Americans, age 50 and over, who were employed, had been employed, or were seeking employment during the three year recessionary period before they were surveyed online last October.

“Many older Americans have been buffeted by skyrocketing health care costs, dwindling home values, shrinking pension and investment portfolios, and employment struggles,” says John Rother, AARP’s executive vice president for policy, strategy and international Affairs.⁶ Overall, the recession took a toll on older Americans’ finances, savings, health care and employment status. Most troubling, nearly 30% of those surveyed reported they had exhausted all their savings during the recession. For those having trouble making ends meet, more than one in three (36.4%) stopped or cut back on saving for retirement.

Stress from Legal Problems for Millennials

Also, a recent study reveals that younger workers are much more likely to admit to unscheduled absences and distractions at work due to financial concerns.

Over a third of Gen Y workers admit to absenteeism and/or distractions on the job as a result of personal financial issues.⁷

Figure 1

Employees Report they	Gen Y	Gen X	Younger Boomers	Older Boomers
have taken unexpected time off in the past 12 months to deal with a financial issue	15%	10%	5%	1%
Spend more time than they think they should at work on personal financial issues	27%	17%	13%	7%
Either of the above	36%	25%	17%	8%

For millions of working Americans, one of these financial crises that requires time to be spent at work are legal problems. These unexpected legal problems are difficult to handle because there is generally no coverage for legal fees to hire an attorney when a legal problem arises. Multiple factors are driving the trend, led by legal expenses that are increasing faster than the rate of inflation and a rise in laws and regulations that create more and more liability for the average working American employee.⁸ Every time legal problems arise for employees, they are forced to find \$5,000 - \$50,000 or more to pay legal fees to fight the lawsuit.

Legal Costs and the Benefits Landscape

News of rising legal fees and out-of-control liability costs is everywhere today. Employees are increasingly dragged into the legal system without resources, but most employers do not understand the impact these lawsuits and the lack of resources can cause in the workplace.⁹ Intuitively, we know that someone involved in a child custody battle is going to be very stressed, require many resources and will need to have financial reserves to pay the lawyers as they fight over custody of a child. But, how much does this type of lawsuit cost? How often are employees involved in these custody battles? How often are they involved in lawsuits? How many employees have a lawsuit-ready case reserve to fight these battles? How much stress are employees suffering? How much are the personal legal problems of employees costing the company in stress-related costs? None of these questions are readily answerable by most employers today.

The awareness employers need to have of the financial impact on their bottom line by their employees' legal issues is just now being discussed. Most employers have no idea of the real cost of these problems, and it is only now that a study was finally conducted on how these costs arise for employees and how much they cost the employer. For example, how many employers know that for every 100 employees legal matters cost employers \$263,000 per year in absenteeism, increased prescription drug costs (to treat stress) and increased physician/psychologist fees (to treat stress)?¹⁰ Unless more employers understand the full impact of these costs, millions of dollars per year are going to continue to be wasted, and these costs will continue to add to the equation that is driving healthcare costs up each year.

Stress Costs Related to Employee Personal Legal Problems

Most American workers are ill-prepared to meet higher out-of-pocket legal fees and stress-related expenses that are incurred when a legal problem arises unexpectedly. Sixty-six percent say it would be very or somewhat difficult to meet their current financial obligations if their next paycheck was delayed for just one week.¹¹ And 52% of households say they have less than \$10,000 in liquid assets available for use in an emergency.¹² The costs and expenses workers face when confronted with an unexpected legal problem fall into three categories: legal fees, stress-related medical expenses and stress-related absenteeism costs.

- **Legal fees** are almost never covered for an employee unless the legal matter falls into a homeowner or accident insurance policy. Employees shoulder all of the costs of legal fees in areas such as, divorce, child custody, step-parent adoptions, contested probate matters, misdemeanors, children's school problems and a host of other personal legal matters are not typically covered by a traditional insurance product.
- **Stress-related medical expenses** are almost always the responsibility of the employee, unless they have some health insurance, but even then they are subjected to high deductibles and co-pays. And, these legal related stress costs are part of the cause of increasing health insurance costs and premiums.
- **Stress-related absenteeism costs** are often also the responsibility of the employee when they have to take off of work for court and attorney appointments. Employees embroiled in a lawsuit often have to take sick days or leave to receive treatment from physicians or psychologists for stress, depression, anxiety and other symptoms. Often, employees have to pay for the time off and travel to attorney and court appointments and often also pay for child care or elder parent costs while they are gone.



52% of households say they have less than \$10,000 in liquid assets available for use in an emergency¹²



Legal Insurance: An Introduction

Developments in the American legal system and massive changes in the law in the past two decades have created a growing financial gap for millions of working Americans, a gap often exacerbated by the out-of-pocket legal fees and stress-related expenses that can incur in association with an unforeseen legal event. To help employees bridge the gap, employers increasingly are offering voluntary benefits programs, such as legal insurance.

Legal Insurance

- Provides fully-paid coverage to employees to covered legal matters and pays the network attorney directly for their legal fees to help cover out-of-pocket legal fees and stress-related expenses related to legal problems (these plans do not cover employment-related legal matters or allow the employee to sue the employer).
- Generally covers unexpected, serious personal legal problems such as divorce, custody, foreclosures, repossessions and all types of other legal matters, although there are different plans for different types of employee bases.
- Is not a liability insurance product. Legal insurance is intended to be an insurance plan that pays for the legal fees not covered under other liability policies and as such will complement other insurance benefits, not act as a substitute.

One Way to Bridge the Financial Gap: Legal Benefits

To help employees manage their out-of-pocket legal fees and stress-related expenses and/or keep them from tapping their savings or retirement accounts, some employers have begun to offer legal insurance, making it available on a voluntary basis (See Exhibit 1).

Until now, there has been no single liability insurance policy that has covered an employee’s personal legal expenses. Now with the rise of legal insurance, there is a voluntary benefit that can fill the financial gap completely and help solve substantial employer costs incurred when the magnitude of employee legal issues is understood. Voluntary legal plans enable employees to increase their problem coverage, generally at a group rate and to customize coverage to their needs and concerns at various stages of their lives. Legal insurance can appeal to a range of employees, from those who are younger and/or have children at home, to those older employees who are taking care of themselves, their children and their elder parents.

Exhibit 1: Bridging the Financial Gap Associated with a Significant Medical Event

Trends

Overall costs increase as legal fees increase above the inflation rate

Out-of-Pocket expenses increase as responsibility shifts to employees

Covered legal expenses very limited to certain other insurance policies

Legal Fees	Laws and Regulations are increasing every year	More employees are being sued	Average Legal Fees are in excess of \$381/hr.
Stress-related medical expenses	Stress causes depression, anxiety and emotional upset	Treatment is usually in the form of prescription drugs such as Xanax, etc.	Additional employee expenses: <ul style="list-style-type: none"> • Deductibles • Visit co-pays • Medicines • Out-of-Network visit
Uncovered out-of-pocket PTO, Sick Days expenses	Employees forced to use PTO/Sick days for court appearances	Employees miss work and lose salary when PTO/Sick days are used up on legal issues	<ul style="list-style-type: none"> • Travel to appointments • Child care • Elder Care expenses
Covered Legal Judgements	Limited coverage to Homeowners or auto with not much personal legal problem coverage		<ul style="list-style-type: none"> • Homeowners • Auto • Substantial Gaps

Employee bears cost

Impact of Unexpected Legal Problems on Financial and Physical Well-Being

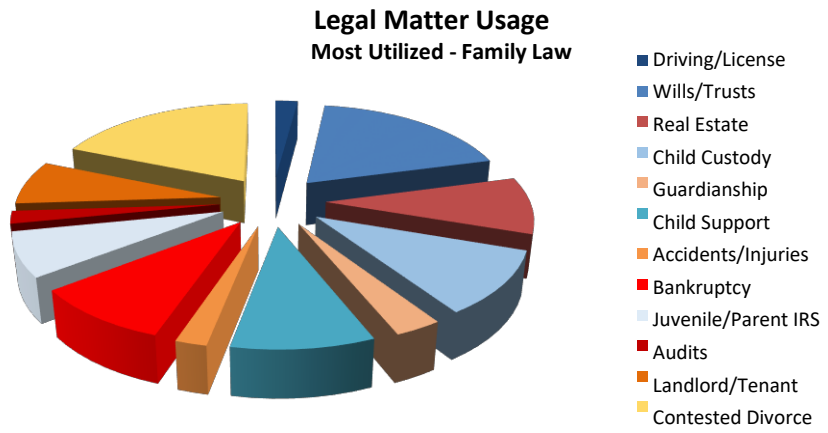
For employees charged with meeting a higher portion of their own health care costs, serious legal problems and lawsuits are not just significant legal events but also can be significant financial events. These events are surprisingly commonplace. U.S. employee legal problems have skyrocketed over the years, with the American Bar Association finding that some 70% of American workers will have some type of legal problem this year.¹³ The most prevalent reasons come from divorce and divorce-related lawsuits.¹⁴

Even common activities frequently cause legal problems. Buying a house only to find construction defects, consumer purchases that become warranty disputes, buying a car an involve lemon law issues, servicing cars, homes and other personal assets can turn into major disputes and lawsuits. Many of the personal legal problems come from spouses who are fighting, seeking separation, disputing over children and seeking divorce, child custody battles and even being involved in spousal abuse. Elder parents and children at college also cause additional legal problems for employees, including nursing home disputes, Medicare issues, housing problems, college student DWIs, lease and roommate issues, date rape and a host of other college related issues.¹⁵

The expenses associated with legal representation are significant. To cite just one example, the average cost to bring/defend a civil litigation lawsuit can be in excess of \$50,000.¹⁶ Employees involved in lawsuits also can incur other expenses that are not directly related to medical care, such as the cost of traveling to appointments, child or adult care and stress-related prescription costs.

The need to protect against the financial impact of legal matters is necessary for all employees, but especially important for those responsible for caring for children and/or adult parents (See Exhibit 2). In addition, some 70% of employees are estimated to have a legal problem this year.¹⁷ Almost 35% of legal matters involve divorce or divorce-related legal matters. Estate planning, wills, trusts and probate battles come in second, around 18% on average.¹⁸

Exhibit 2: Legal Matters by Category¹⁹





The Importance of Legal Insurance

Unexpected, serious legal problems prompt thousands of lawsuits each year, and the likelihood of any one employee having a serious legal matter in a given year is substantial.²⁰ That makes legal risk a strong insurance value, meaning it can be insured at an affordable cost.

Legal insurance helps to address the financial consequences of an unexpected lawsuit by providing a payment for legal fees directly to the network attorney so that employees do not have to come up with substantial amounts to cover their out-of-pocket legal fees and stress-related expenses.

Legal insurance generally pays all or most of the legal fees directly to the provider in the event of a covered legal matter, although employers sometimes have the flexibility to customize which types of legal problems their plans will cover. In addition, employers may be able to decide the level of benefit for some legal matters.

Although legal insurance is not a comprehensive liability insurance that covers judgments once a lawsuit is lost, it is intended to pay all or most of the costs of legal fees on those matters where there is no other insurance.

Types of Legal Insurance

Legal plans can be found with several different designs, ranging from those that provide basic benefits to others offering comprehensive insurance benefits. These are often provided in a group environment, including large corporations, associations, small companies, financial institutions, unions and other types of affinity groups. The benefits typically provided in a legal plan are similar to services provided in a dental or vision plan and are structured to meet certain needs for employees in the groups. Legal plans are now marketed to corporations and organizations through either an employer-paid or a voluntary benefit services platform which is currently the most popular offering.

Legal plans are usually grouped by coverage type:

- Indemnity plans
- Access plans
- Discount plans²¹

1. Indemnity Plans

Indemnity plans are most commonly thought of as insurance, similar in coverage and benefits to dental or vision plans, including complete claims administration. Beneficiaries submit claims supported by paid provider bills or payments can be made directly to the provider attorneys in some cases. There are specified covered benefits with stipulated limitations. These legal benefit plans may include deductibles and waiting periods depending upon the plan being analyzed.

Legal indemnity plans typically cover specified services up to a certain maximum coverage, and the services are typically defined in a policy, summary plan document or plan booklet. For example, a legal plan may cover a motor vehicle license suspension representation up to a total amount of \$750. This means the plan will pay the lawyer a fee of \$750, and the employee will be charged by the attorney for fees and expenses over \$750. If the line item is paid in full under the legal plan, the employee owes nothing for the attorney's services.

2. Access or Managed Legal Plans

The other popular type of legal plan found in the employee marketplace is an access plan, named for its preventative and informative nature. An access plan is a legal plan that typically has a number of specific legal benefits and services covered either fully or at discounted rates. Most access plans, however, do not offer insurance or reimbursement, and the employee is liable for all legal expenses.

The difference is in the plan administration, with the most sophisticated legal plans having the most developed and streamlined administration. This management includes supervised plan delivery systems, significant customer service evaluation, member performance ratings, sophisticated credentialing methodologies and complaint and problem resolution services. In addition, the level of preventative help available with some plans can be significant.



3. Discount Legal Plans

Discount legal plans usually offer a minimum number of benefits and have a scaled-down administration infrastructure. In fact, many of these plans have little infrastructure beyond a toll-free number that an employee can use to access services for an initial consultation.



Customization Options

Employers typically have several customization options when choosing and structuring a voluntary legal insurance program for their employees (See Exhibit 3):

Funding. Employers can choose to pay for the benefit and offer it to all employees, make the benefit voluntary and have those employees who enroll pay the premiums or share the cost of the premiums with other employees.

Coverage tiers. Employers can allow employees to choose coverage based on a tiered system: employee only, employee plus spouse or employee plus family. Employees with children may prefer family coverage, as children may be more prone to unexpected, serious legal problems.

Types of unexpected, serious legal problems covered and level of benefits. As noted earlier, employers also may choose which types of unexpected, serious legal problems to cover and the level of payment for each type of claim.

Exhibit 3: Sample legal plan coverages to meet employees' needs.

Type of Legal Plan	Legal Matter	Explanation of Coverage	How Much Value to Employee
Insured Plan	<p>Divorce, Child Custody, Visitation, Step-parent adoptions</p> <p>Estate Planning, Trusts, Wills, Powers of Attorney, Living Wills</p> <p>Foreclosures, Collections, Repossessions, Defects, Debt/Credit matters</p> <p>College Children - Misdemeanors, leases, security Deposits, Roommates, DUI/DWI, MIP</p>	<p>Legal Plan pays all of the legal fees for these matters and more depending upon the delineated coverage in the legal plan. The Plan has very few exclusions or limitations in many instances.</p>	<p>*Insured Plans pay as much as \$40,000 in legal fees</p> <p>*Employees do not have to front money for fees</p> <p>*Providers are paid by the Plan directly</p>
Access Plan	<p>Divorce, Child Custody, Visitation, Step-parent adoptions</p> <p>Estate Planning, Trusts, Wills, Powers of Attorney, Living Wills</p> <p>Foreclosures, Collections, Repossessions, Defects, Debt/Credit matters</p> <p>College Children - Misdemeanors, leases, security Deposits, Roommates, DUI/DWI, MIP</p>	<p>Legal Plan offers a discounted hourly rate for all of the legal fees for these matters and other matters depending upon the delineated coverage in the legal plan. The Plan has very many exclusions and limitations.</p>	<p>*Access Plans typically pay no fees to the provider and although they offer a discounted hourly fee for employees, the employee must pay all of the legal fees, even if they are as high as \$40,000 or more.</p> <p>*Employees are required to front money for fees</p> <p>*Providers are paid by the Member directly</p>
Discount Plan	<p>Divorce, Child Custody, Visitation, Step-parent adoptions</p> <p>Estate Planning, Trusts, Wills, Powers of Attorney, Living Wills</p> <p>Foreclosures, Collections, Repossessions, Defects, Debt/Credit matters</p> <p>College Children - Misdemeanors, leases, security Deposits, Roommates, DUI/DWI, MIP</p>	<p>Often these are found in EAP plans or embedded in other types of plans. Legal Plan offers a discounted hourly rate for all of the legal fees for these matters and other matters depending upon the delineated coverage in the legal plan. The Plan has very many exclusions and limitations.</p>	<p>*Access Plans typically pay no fees to the provider and although they offer a discounted hourly fee for employees, the employee must pay all of the legal fees, even if they are as high as \$40,000 or more.</p> <p>*Employees are required to front money for fees</p> <p>*Providers are paid by the Member directly</p>



Benefits of Legal Insurance for Employees

Legal insurance provides a host of benefits for employees:

Financial assistance. Legal insurance can help employees financially by covering the full costs of legal fees in a lawsuit that are not covered by their liability insurance plan or other coverages.

Financial flexibility. Employees do not have to miss work to find \$5,000 - \$50,000 in legal fees from savings accounts, retirement accounts or family resources.

Simplicity and convenience. Having legal insurance available through the workplace allows for easy enrollment and the convenience of payroll deduction for premium payment. Moreover, employees can rely on the product research conducted by their employer and potentially benefit from group pricing.

Easy claim submission. With incident-based legal insurance, employees benefit from the ease and convenience of submitting minimal documentation for claims approval.

Benefits of Legal Insurance for Employers

Like employees, employers also enjoy multiple benefits when they make legal insurance available in the workplace.

A more robust benefits package. Offering voluntary legal insurance paid for by employees allows employers to provide a more robust benefits package that can improve employees' satisfaction with their jobs. According to a report prepared by CFO Research in collaboration with Prudential Financial, 77% of finance executives agree that employee benefits are critical to attracting and retaining talent, and 70% say offering more voluntary benefits is a cost-effective way to increase employee satisfaction with benefits.²² This correlates with what employees themselves are saying, too. A growing percentage of employees—71% as of 2014—say the availability of voluntary benefits increases the value of their company's overall benefits program, up from 63% in 2012.²² And 43% of employees say they are interested in having their employer offer more voluntary benefits, up from 34% in 2012.²³ The more benefits offered, the easier it is for employees to customize coverage to their own needs.

A savings of some \$263,000 per year (per 100 employees). Employers are just now learning how much the personal legal problems of their employees are costing their company in absenteeism, prescription drug costs to treat significant amounts of stress and physician/psychologist visits to help employees deal with the losses suffered in a lawsuit, particularly in child custody or divorce cases. Legal insurance can help lessen these costs substantially.

Potential for improved productivity. Employees under financial pressure may be less productive than those who are not. Twenty-four percent of workers say personal financial issues are a distraction at work, and 39% say they spend three hours or more each week thinking about or dealing with issues related to their personal finances.²⁴ By helping to alleviate financial pressure, legal insurance may free employees to work more efficiently on the job.

Minimal costs. When premiums for voluntary legal insurance are paid by employees, as is often the case, legal insurance programs allow employers to help employees at little or no cost to the organization. Legal insurance plans do not impose much of a burden on the employer's staff, either, because claims are generally administered by the insurance carrier



43% of employees say they are interested in having their employer offer more voluntary benefits, up from 34% in 2012.²³

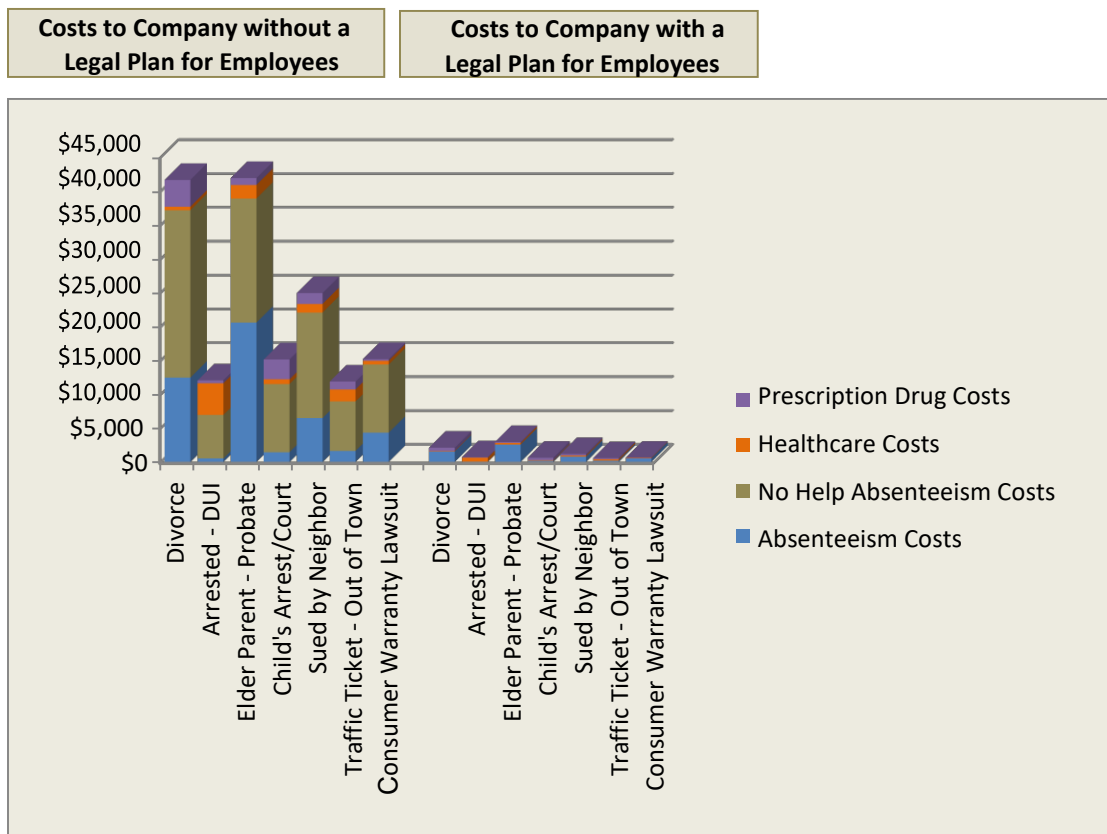


Growing Momentum for Legal Insurance but a Need for More Education

Legal insurance is one of the fastest-growing voluntary employee benefits. As shown in Exhibit 4, when employers offer an employee legal insurance plan, the costs to the employer from employee stress and absenteeism are reduced dramatically. This is especially true when the legal plan is insured and when it has the proper infrastructure that can reduce employee stress in substantial amounts. Exhibit 4 shows that costs incurred by employers for employees who are suffering through legal costs can be reduced by a whopping 55% from \$263,000 to \$107,000 with the right legal insurance plan.²⁵

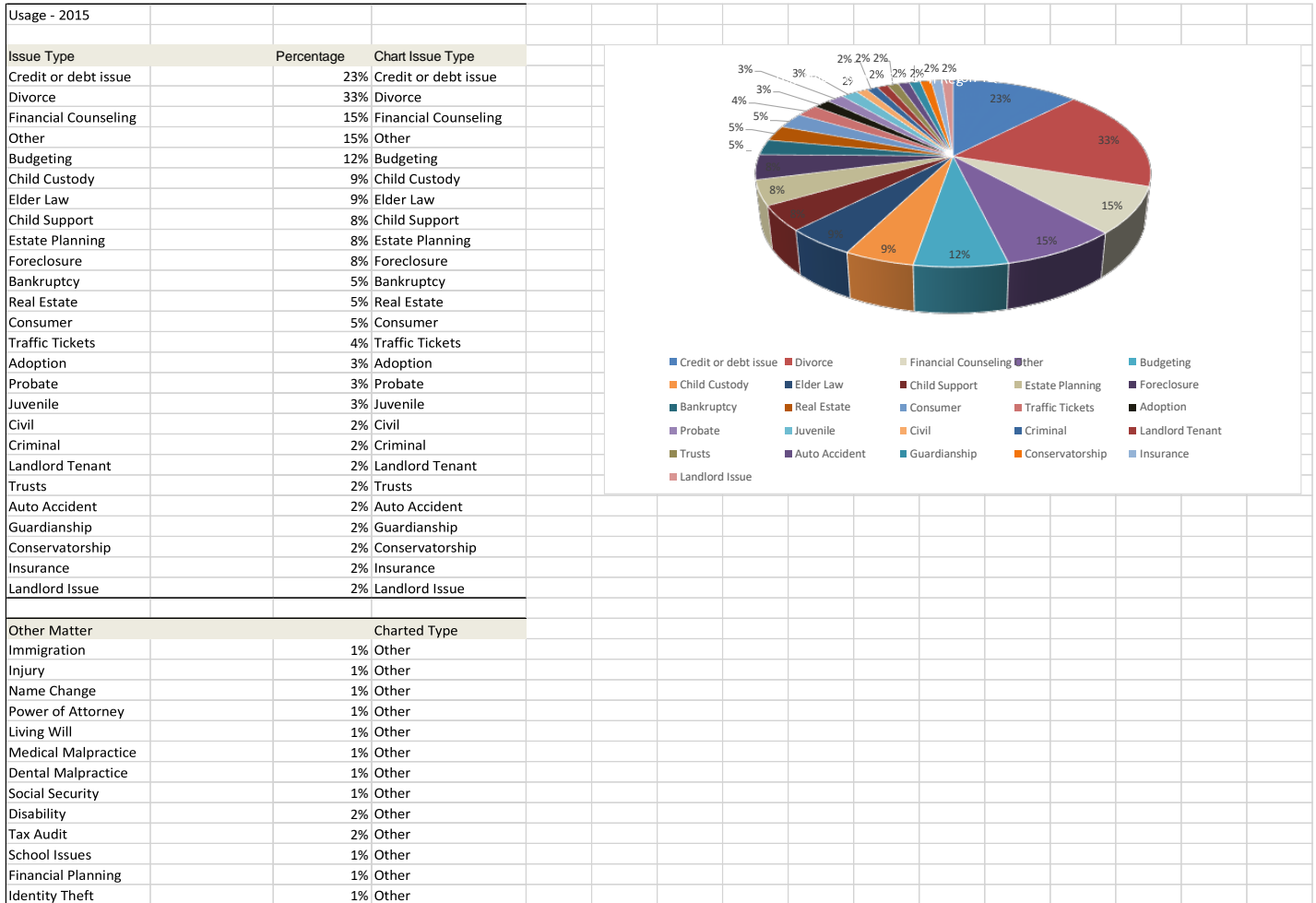
As employers are beginning to recognize this savings potential, they are beginning to ask if they can pay for the plans themselves or share the cost with employees under a contributory benefit model. This suggests that employers are seeing real value in the product. In fact, employers that offer legal insurance say their top reasons for making it available are employee interest, affordability, clear need for the product and a desire to help employees cope with the cost of covering their personal legal problems.

Exhibit 4: Savings for Employers When Legal Insurance is Offered



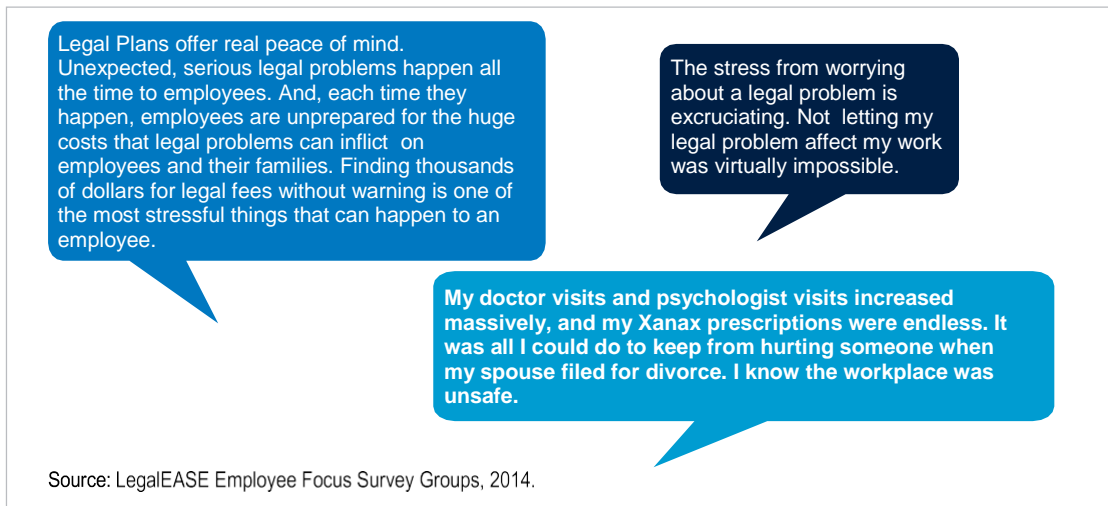
Employee usage of legal insurance has been astronomical when it is offered. A comprehensive study, published by LegaleASE, shows usage in any legal plan can be vast and exceed 140% per year. (See Exhibit 5)

Exhibit 5



In focus groups, younger and more active employees typically have a more favorable impression of legal insurance than older employees. Many of the younger and more active workers say they have had a personal experience with unexpected, serious legal problems that resonated with them, meaning they have incurred out-of-pocket costs and appreciate the assistance that legal insurance coverage provides.²⁶

Exhibit 6: Employee Perspectives on Legal insurance



Insurance brokers anticipate that the use of legal insurance will continue to grow. Perhaps not surprisingly, most employees who have a group legal plan tend to use it more than once (87%) and are more inclined to consult an attorney (2.5 times on average in the past five years) than those who found an attorney outside of work (2 times more on average). Most plan participants also re-enroll for the next calendar year (83%). Also, having a group legal plan often serves as a catalyst for taking action on an issue that many people put off for too long.²⁷ More and more insurance brokers say they expect the adoption of legal insurance as a voluntary product to increase among their clients, spurred in part by the growing embrace of the employer. And many more brokers say they believe employers would be especially interested in packaging legal insurance with identity theft plans.



Best Practices: What Employers Need to Know

This section discusses best practices for implementing a legal insurance program and provides answers to common questions employers have about legal insurance.

Our employees do not understand what legal insurance is or why they need it. How can we help?

Employers can help employees appreciate the benefits of legal insurance by hosting or conducting educational programs for them. These programs should document the increasing need to protect against out-of-pocket expenses stemming from unexpected, serious legal problems, and the ways legal insurance can help keep their savings and retirement accounts intact in the event of an unexpected legal emergency.

Hard data will help employees understand their increasing exposure. Employers can provide statistics on the chances of having a legal problem arise, the average cost of certain types of legal matters, such as divorce, adoption contests, lease or mortgage disputes or other legal matters, the staggering amount of retainer fees, some in excess of \$40,000 or more, the ancillary costs incurred for services such as childcare, time off, and travel and the potential for lost work time. Examples will reinforce the message.


Educational efforts should also clarify which expenses legal insurance is designed to protect against and note that many may not be covered by homeowners or auto insurance. By emphasizing non-medical out-of-pocket expenses, employers can help employees distinguish legal insurance from other insurance products.



Does legal insurance coverage overlap with other coverages, such as homeowner's insurance or accident insurance?

Legal insurance is intended for a broad range of unexpected, serious legal problems. Homeowners insurance generally covers legal matters that arise from owning a home. Homeowners insurance also covers insureds for personal liability issues in some cases. Auto insurance generally covers legal matters that arise from a car accident, including coverage for personal liability issues in some cases.

Legal Insurance covers the legal fees found in most personal legal matters where there is no coverage in a homeowner or auto policy. Legal Plans are relatively inexpensive compared to homeowners and auto insurance and reach all types of legal problems regardless of their connection to a home or automobile.



How complicated is legal insurance? Will it be cumbersome to employees and our staff?

Simplicity is critical to making legal insurance appealing and understandable for employees. A simple product design lends itself to easy enrollment processing, streamlined claims management and minimal administrative support. Many of the premier legal plans will have provisions that pay the provider lawyer directly and negate the necessity of employees to advance huge sums of money for legal fees.

Employers can ease the administrative burden on their staff by partnering with a provider and leveraging the provider's existing enrollment processes and administrative and reporting capabilities.



How should we position legal insurance in our portfolio of benefits?

Products such as legal insurance should be presented as a primary or core benefit that protects against risks to which nearly all employees are exposed. Positioning legal insurance as a core benefit alongside medical, life and disability insurance during enrollment will encourage employees to give it greater consideration and allow employers to highlight how the various products differ and complement each other.

Compelling case studies can make the financial gap and its solutions real and relevant for employees.

Can we customize a legal insurance plan to address the needs of our unique population? Also, if legal insurance may be more relevant for some employees than others, how can we emphasize it to the right segments of our employee population?

Employers can work with their provider to customize legal insurance features to balance affordability, simplicity and employee needs. For example, employers that have a lot of employees with young children can make sure that unexpected, serious legal problems common among children are covered by their plan.


Overall, employers should take a holistic approach when communicating how their benefits can help employees in various stages of life. For example, legal insurance and critical illness insurance may be viewed as complementary, with legal insurance targeted to employees with young children and critical illness insurance to older employees. Eighty-eight percent of employees say they have an interest in receiving benefits communications that are tailored to their personal situations.²⁸

In addition to targeting employees with customized education, employers should consider offering an integrated online enrollment system for all benefits, featuring automated tools such as needs estimators and educational videos. For employees who need more help, this system can be supported by customized enrollment support via telephone or online chat with licensed representatives who can answer product questions, conduct needs analyses and provide personalized coverage recommendations.

Because different employees prefer different communications methods, employers should reach out to them via a variety of channels, including email, home mailings, intranet sites, seminars, mobile apps, group meetings and social media.²⁹ While employers continue to have success with more traditional methods of communication, they are also reporting success with newer communications vehicles: 18% reported great or moderate success with video, CD-ROM, or DVD presentations in 2013, up from 4% in 2012. Similarly, 16% reported success with external social media networking in 2013, up from 2% in 2012.³⁰




Eighty-eight percent of employees say they have an interest in receiving benefits communications that are tailored to their personal situations.²⁸



How should we fund a legal insurance benefit?

Funding options are broad. Some employers fund the entire benefit to mitigate the financial impact on employees who are already bearing more health care costs. Others fund a portion of the benefit, either for all employees or for only certain employees. Still others offer legal insurance as an employee-paid voluntary benefit—a low-cost way for employees to secure some protection against increasing out-of-pocket expenses, both non-medical and medical. Today more employers are helping employees pay for legal insurance than in the past .³¹



Should we partner with a carrier to offer legal insurance, and if so, what factors should we consider when choosing a provider?

Historically, legal insurance has been offered to employees directly from product carriers (the individual model), but, increasingly, employers are offering legal insurance as a group benefit (the group model). Today there are nearly as many plans offered on a group platform as there are on an individual platform.³²

Partnering with a provider to offer legal insurance as a group benefit allows employers to leverage the partner's experience with education, communications, marketing and administration. It also provides a host of other advantages. Under the group model, employers can more easily customize the design of their offering, promote it as a core benefit alongside health, life and disability insurance, potentially fund all or part of the premium and enjoy a more holistic understanding of their employees' benefits coverage.

In many cases, adding legal insurance to the group benefits package also allows employers to leverage their group benefit provider's existing enrollment processes and tools, including turnkey enrollment campaigns and education, as well as their administrative and reporting capabilities. Group providers also may be able to customize marketing programs based on their understanding of each employee's participation across products.

Employers should engage with their providers on an ongoing basis and provide them with participant data for analysis so that providers can help identify underinsured segments of the workforce and tailor enrollment and educational campaigns to them.



Conclusion

The financial gap created by out-of-pocket legal fees and stress-related expenses associated with an unforeseen legal event is a growing and important issue for working Americans that threatens their financial security and, in some cases, their ability to focus on their jobs. As employers shift more of the responsibility for health care costs to employees through the use of defined contribution benefits programs and high-deductible health plans, and employees are faced with out-of-pocket legal fees and stress-related expenses, employees could benefit from access to voluntary benefits programs such as legal insurance, which can help them bridge a portion of the financial gap.

For employees, legal insurance helps provide financial assistance and peace of mind. For employers, it provides the ability to offer a holistic benefits package that makes employees more appreciative of their jobs and less distracted by personal financial concerns.

While interest in legal insurance is building among employers and employees, neither group is broadly aware of the product or its benefits. Industry efforts to build awareness will further the goal of helping American workers close the financial gap that can be created by an unforeseen legal event.

End Notes

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