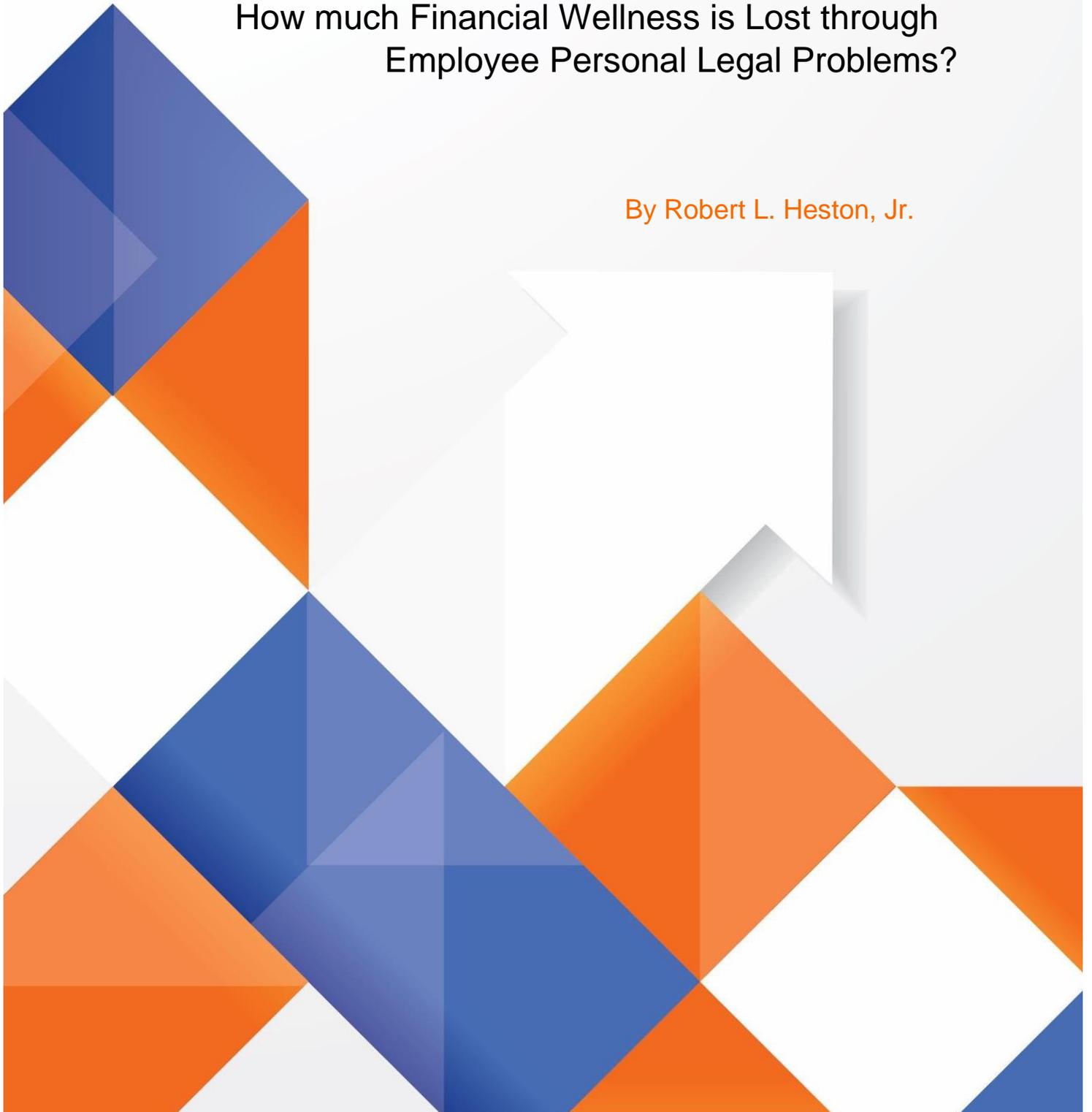
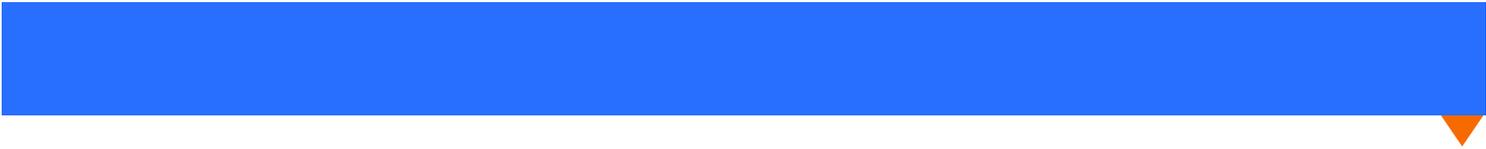


# Should Employers Consider Providing an Employer-Paid Fully Insured Legal Plan?

How much Financial Wellness is Lost through  
Employee Personal Legal Problems?

By Robert L. Heston, Jr.





LegalEASE believes that employee personal legal problems are a huge drain on company resources. For our plans, we start by making sure we understand all the major reasons why employee financial issues arise. Some reasons include:

- Too much debt
- Too many credit cards
- Not enough retirement savings
- Tapping retirement savings for emergencies
- No IRA contributions

These are some of the obvious effects of financial illness. Many are within an employee's control, and encouraging less spending and more saving, the current focus of many financial wellness programs, can help employees control their finances.

But, many reasons for financial issues may be outside an employee's control:

- Unexpected medical problems and bills
- Elder parent health issues
- Elder parent nursing home issues
- Teenage disciplinary problems
- Spouse and ex-spouse actions
- Soon-to-be ex-spouse conduct and harassment

Many of these are the actual cause of severe financial illness.

LegalEASE completed a two year study that examined 20 years' worth of employee financial and legal problems, the impact of these legal problems and the cost of employee legal problems to employers. This study was called the *LegalEASE Employee Health; Legal & Financial Stress Impact Study 2016, Part I and II*. In this study, which is now the subject of speaking engagements at HR trade shows across the U.S., LegalEASE found that some \$245,000 per 100 employees is wasted while employees are forced to handle unexpected legal problems. The study used three metrics to provide a concrete measurement of employer costs:

1. Absenteeism
2. Increased prescription costs
3. Physician/psychologist visits

Information about this study and the speaker can be found at [robertheston.com](http://robertheston.com)

In addition, legal problems are one of the largest causes of financial stress in the workplace. The LegalEASE study undertook the initiative to answer these five questions:

1. Is there a major component of the financial wellness equation that is not being addressed?
2. Can it be measured and if so using what metrics?
3. How big is this problem, and how much is it costing employers? Employees?
4. Is there a fix/cure/solution or program that can resolve this problem?
5. Is such a program worth the cost to fix the employee problem?

**1. Is there a major component of the financial wellness equation that is not being addressed?**

Absolutely. Right now, at any given company in America, there is a substantial (albeit invisible) portion of each company's employee demographic who are suffering through one or more components of this legal and financial illness. We will begin with the myriad of issues employees face as they begin each new workplace day with personal problems that are brought unintentionally and unavoidably into the workplace because of their magnitude.

Today, employees face so many challenges from:

- Disputes
- Issues
- Problems at home
- Problems with their friends and acquaintances
- Problems with others they come into contact

Many of these problems will manifest themselves in the form of legal problems.

We all know employees who have suffered or are currently suffering through, as well as hundreds of other types of legal problems:

- Divorces
- Parental illnesses
- Nursing home issues
- Injuries and medical problems
- Spousal abuse
- Arrests
- Traffic license suspensions
- Child custody battles
- Credit card debt
- Bankruptcy
- Foreclosure
- Eviction
- Identity theft

## 2. Can this invisible problem be measured and if so using what metrics?

Until now, there was no comprehensive study of the effect of legal problems on employees in the workforce. The type of legal problems that are personal to the employee and brought by the employee, usually unintentionally, into the workplace by the sheer magnitude of the problem. Why? We may not know for sure. Certainly, the private and confidential nature of legal problems, and their potentially embarrassing nature, may be one of the biggest reasons. Few employees are excited to report to their employers an arrest for a DUI/DWI, domestic violence, child abuse, filing for bankruptcy, house foreclosure or that they are receiving collection calls about massive debts. The confidential and private nature of these problems and the potentially devastating effect on employment easily explains this invisibility.

What is the breadth of this problem? An analysis should start with the impact of stress on employees and the stress caused by these problems. For that, we can turn to the recent LegalEASE study on the financial impact of stress and legal problems. This study produced some startling analysis.

Financial wellness is impacted on several fronts: One, there is an enormous but measurable stress produced by these legal problems; and, two, there is an equally enormous and debilitating financial wellness component. Taken together, this means a substantial financial illness.

The study examined seven of the most common legal problems that employees face today. All of these problems are personal and include:

1. Divorce
2. Civil litigation
3. Probating an elder parent's estate
4. Juvenile/criminal matter
5. Warranty/small claims matter
6. DUI/DWI
7. Traffic tickets

The study determined that it would focus only on the effects of problems that can be accurately measured and found that there are three effective measures of stress:

1. Absenteeism
2. Increase in prescription drug use
3. Increase in physician/psychologist visits (including psychiatrist visits)

Because employees used prescription drugs (like Xanax) in increased amounts during stressful times, and because they visited physicians or psychologists to obtain prescriptions and to treat the stress, these two measures are reliable indicators of the cost of stress.

Without help and without money to handle a lawsuit, stress increases amongst employees dealing with legal matters. Adding to this problem is the fact that finding resources to help with a lawsuit (e.g., attorneys) or to find money to handle the legal fees, employees have to take off work thereby increasing absenteeism costs. They also have to take time off work to visit their physician or psychologist for treatment, thus the substantial absenteeism costs to the employer.

Each of these factors were also selected because they are measurable, unlike presenteeism or other stress indicators, and taken together they could produce an accurate picture of how much employee stress was being caused by the legal problem and how much this stress costs.

### 3. How big is this problem and how much is it costing employers? Employees?

#### Employer Costs:

The LegalEASE study concluded that for the seven common types of legal problems employees frequently drag into the workplace the costs are staggering. Using only the three metrics:

1. Increased prescription drug costs
2. Increased physician/psychologist visit costs
3. Absenteeism costs

LegalEASE found that these seven legal problems cost an American company in excess of \$245,000 per 100 employees per year.

Total Cost to Employer due to Employee Missed Time & Cost Prescription Drugs & Visits to Doctor &/or Mental Health Counselor for Stress Related to Legal Matters	ALL 7 Common Legal Matters
Employer Cost due to Missed Time: "Court-Filed" Divorce Legal Proceedings	\$22,974
Employer Cost due to Missed Time: "Non Court-Filed" Legal Proceedings	\$47,514
Employer Cost due to Missed Time: Initial Attorney Search	\$85,127
Employer Cost due to Missed Time: Visits to Doctor &/or Mental Health Counselor	\$33,491
Summary Employer Cost due to Employee Missed Time: All Factors	\$189,105
Cost of Employee Visits to Doctor &/or Mental Health Counselor	\$18,135
Cost of Employees Using Prescription Drugs for Stress Related Issues	\$37,799
Summary Cost Prescription Drugs & Visits to Doctor &/or Mental Health Counselor	\$55,934
<b>Grand Total-All 7 Common Legal Matters</b>	<b>\$245,039</b>

## Employee Costs:

We can also calculate the employee cost of the legal matters by looking at several statistical figures:



Thus, when confronted by one of these legal problems, the employee's immediate concern is the lack of financial resources to pay legal fees. Money at the outset as well as throughout the case becomes a substantial problem. The larger the dispute the costlier the legal bills are in most cases. And the American legal system seems to have endless delays, interruptions and wasted time – all paid by the participants. Indeed, how many employees have a large unused, uncommitted amount of money stashed away in the event a legal problem arises? The answer is that most do not.<sup>4</sup> Today, the problem is compounded because employees are not saving enough money, which is the entire impetus of the financial wellness movement.

Lawsuit costs an average of \$18,000 per disputed legal matter in the United States, with many more lawsuits reaching the \$25,000 - \$50,000+ mark.<sup>5</sup> In today's world, an average hourly rate for legal services is found to be \$278/hr.<sup>6</sup> If we look at the number of legal problems per 100 employees in the study, we can calculate the cost of the lawsuits to employees by using the average total lawsuit figure (\$18,000) per lawsuit.

The study found there are 19 actual litigation matters per 100 employees that are protracted and require substantial expenditures for attorney fees, assuming each employee will follow advice and retain an attorney in each case.

Number of Lawsuits [per 100 employees]	Average Cost per Lawsuit	Total Cost of Lawsuits for Employees [per 100 employees]
19	\$18,000	\$342,000 / year

Thus, the employee cost in hard attorney’s fees costs can be estimated at \$18,000 per lawsuit on average multiplied by 19 or some \$ 342,000 for the 19 employees who will have one of our seven common protracted litigation problems in the course of the year.

**4. Is there a solution or program that can resolve this problem?**

Yes. And the solution is not as complicated as many HR managers might suspect. Indeed, in many cases, it is a solution that is right before the eyes of many HR managers. Ironically, many HR Managers may already have the solution in place at their companies but may not realize the impact or the curative effects of the financial illness being suffered by their employees. Bringing the solution to the forefront may be all that is needed to implement the solution and eliminate all or some of this financial illness.

What is the solution? A legal insurance plan. The emphasis is on *insurance*. And that is why the EAP legal plan may not be near enough in most cases. Providing attorney referrals, free initial consultations and a discounted hourly rate when hiring an attorney may be very helpful but does not help with the problem of finding a source of money to pay legal fees. Financial illness is caused more by the lack of money to hire the right attorney than from the source of the legal problem itself. Finding money, as we have seen, creates a maximum amount of stress, and the pressure of deadlines exacerbates this stress. “Very few employees have a legal fund stashed away to fund a lawsuit start to finish.”

Very few employees have a rainy day fund in case legal problems arise. Instead, they end up borrowing money, tapping their retirement accounts or using most of their life savings. None of this is necessary for any employee if their employer provides a paid-in-full legal plan. As it stands, many employees do not plan ahead and instead take the risk that employee legal matters will not arise. The result can be devastating to employees considering the fact that their employer could have paid for a legal plan that literally paid for almost 100% of the legal problems an employee might have.

**5. Does it make sense for the company to pay for this fully insured legal plan for employees?**

Interestingly, most insured legal plans are voluntary, and their monthly fees are paid by employees who elect to have the coverage. Having the company pay for this benefit could be a huge employee recruiting tool.

Because these problems can be invisible and because the solution is so all encompassing and so curative in many cases, should HR managers look at these plans with more heightened emphasis? At so many companies, less than 10% of the employees opt for legal insurance coverage, despite the low monthly premium – under \$20 including family coverage. Perhaps calling attention to this problem or considering an employer-paid option or portion of the premium might help employees value this benefit. It will

certainly help the company bottom line.

Either way, this area of financial wellness may be one of the most solvable financial components for HR. By analyzing and adding a fully insured legal plan, HR managers can achieve measurable and massive savings for their companies and help their employees handle legal problems without taking on a huge financial burden. While this may not eliminate all of the stress of a legal problem, it can expose and eliminate or virtually eliminate the invisible financial elephant in the room.

“There is one avenue today where HR Managers can provide almost a complete solution – without costing the company anything – almost sounds too good to be true – But it is exactly a reality in today’s hands-on HR help world.”<sup>7</sup> Legal insurance plans cost the employer virtually nothing but deliver over \$120,000 per year in savings in missed work, prescription drug costs and physician/psychologist visits.

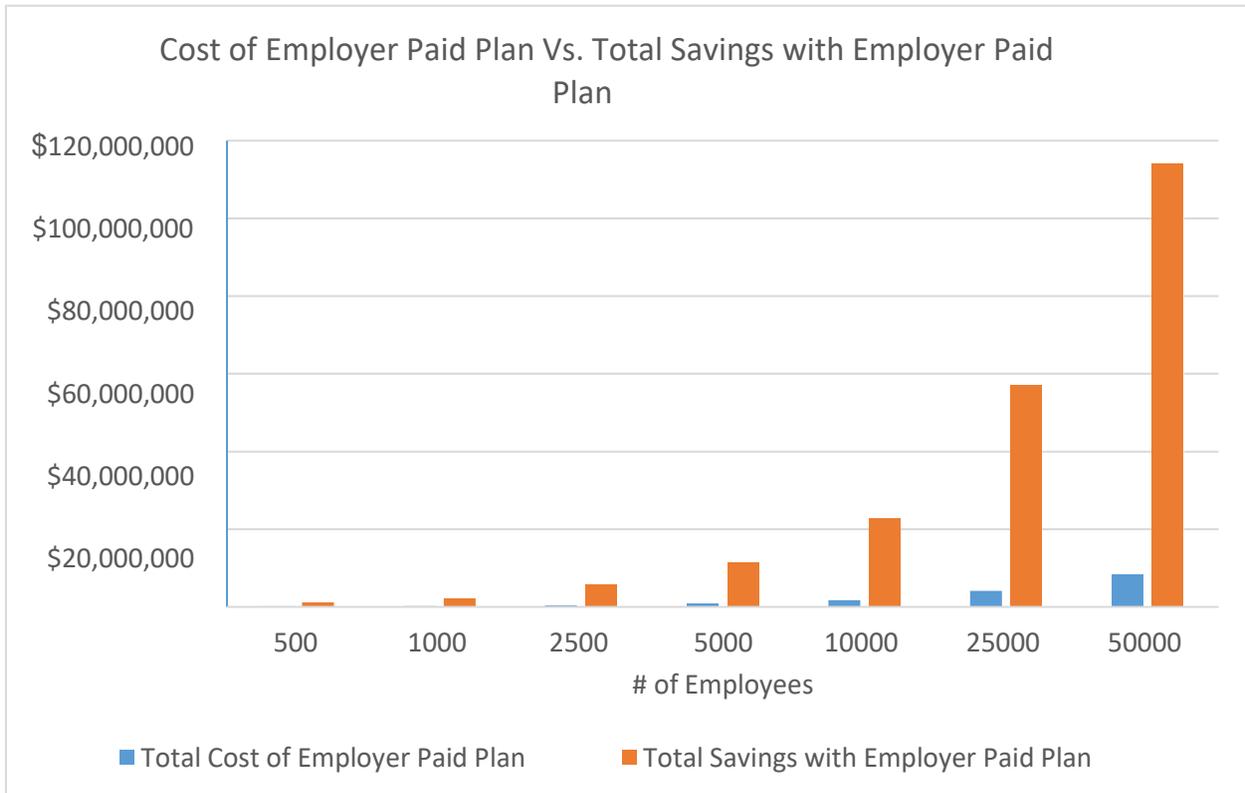
For this reason, LegalEASE strongly believes an employer-paid legal plan would save the company hundreds of thousands of dollars in employee stress costs. Here’s a look at how.

Employer Savings Calculated

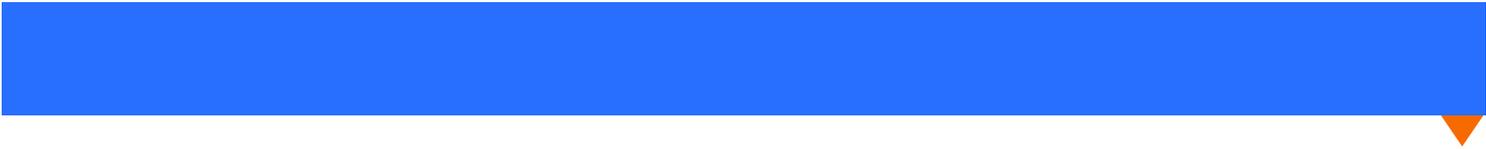
There are no cons that we can think of other than the visible hard cost to the employer. The invisible legal cost to the employer however is much greater when one does the math - \$245,000 per 100 employees. In the case of your company, this means the invisible costs of financial and legal stress for employees would likely total **\$1,225,000-\$122,500,000**, depending on your size. Please see the chart below.

# of Employees	LegalEASE Stress Study Cost to Employer	Monthly Employer Paid Legal Plan Price	Annual Cost Employer Paid Legal Plan Price	Total Cost of Employer Paid Plan	Total Savings with Employer Paid Plan
500	\$1,225,000.00	\$15.79	\$189.48	\$94,740.00	\$1,130,260.00
1000	\$2,450,000.00	\$15.79	\$189.48	\$189,480.00	\$2,260,520.00
2500	\$6,125,000.00	\$14.79	\$177.48	\$443,700.00	\$5,681,300.00
5000	\$12,250,000.00	\$14.79	\$177.48	\$887,400.00	\$11,362,600.00
10000	\$24,500,000.00	\$14.79	\$177.48	\$1,774,800.00	\$22,725,200.00
25000	\$61,250,000.00	\$13.79	\$165.48	\$4,137,000.00	\$57,113,000.00
50000	\$122,500,000.00	\$13.79	\$165.48	\$8,274,000.00	\$114,226,000.00

Using the same chart above, the cost of the legal plan if paid by the employer would only total between **\$94,740** and **\$8,274,000**. You can see these savings with the employer paid plan in the graph below.



For this reason, the employer-paid option makes perfect sense. There is one additional reason: to LegalEASE's knowledge no other company in the U.S. in your industry provides employer-paid legal plan coverage. From an employee recruiting standpoint, your company can offer prospective employees fully paid legal coverage, which will certainly set your company apart.



## End Notes

1/ Source: LexisNexis, 2014

2/ Source: Legalzoom.com 2014

3/ Source: American Bar Association

4/ "Public Perceptions of Lawyers Consumer Research Findings," American Bar Association Study, 2002, p. 5

5/ "3 Little-Known Truths About Legal Fees and Billable Hours, Correcting Misconceptions About Lawyers Who Bill Their Time," William Tapscott, Yahoo! Contributor Network, June 27, 2010.

6/ Id.

7/ "LegalEASE Employee Health; Legal & Financial Stress Summary," Robert Heston, Jr., 2016, p. 20

