



# ■ LEGAL EXPENSES INSURANCE: ARE YOU MAKING THE MOST OF THIS OPPORTUNITY TO DIFFERENTIATE YOURSELF?

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## LEGAL EXPENSES INSURANCE

Whether it is serving the needs of commercial, motor or household customers, legal expenses insurance (LEI) is now a key part of the business proposition for many insurance brokers.

The cover can be sold on a stand-alone basis, but in most cases is offered alongside household, motor, commercial and landlords' policies and is an affordable extension that typically includes indemnity against the cost of common legal disputes as well as advice helplines and access to online legal documents.

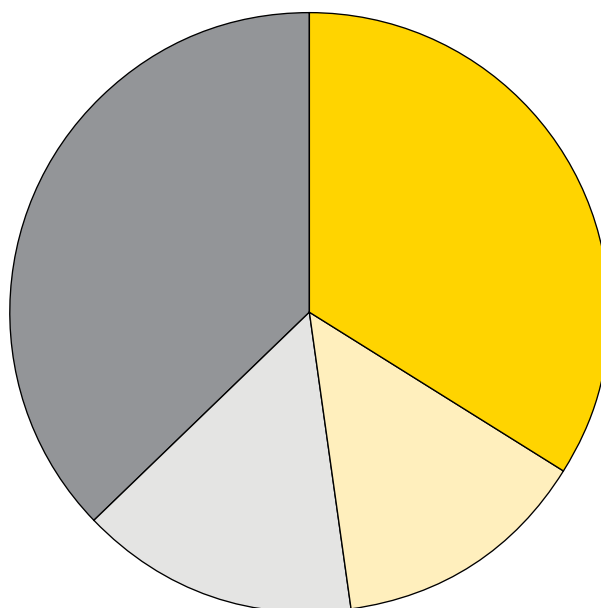
A legal matter can surface unexpectedly and there can be enormous reassurance in having taken out LEI, often on the advice of a broker. But, given that legal risks change, are there sufficient levels of understanding among brokers? To gain greater understanding of the sector, Insurance Post and specialist LEI provider ARAG have recently conducted a major research project with brokers to find out more about this market.

Certainly, without cover, many clients could find it more difficult to meet potentially high legal costs, and indeed, even know where to find a solicitor with relevant experience. However, LEI takes pressures away and is typically available at affordable prices, and can be tailored to meet individual needs. ■

### HOW MUCH LEI BUSINESS DO BROKERS WRITE

In total, some 104 brokers from across the UK and ranging from national firms to the smallest high street operator, were surveyed. Brokers were asked how much LEI business they sold, with the results showing that it is a highly valuable business stream, with some 34% selling over £50,000 GWP.

- In excess of £50,000 **34%**
- Between £25,000 - £49,999 **14%**
- Between £10,000 - £24,999 **15%**
- From £1-£9,999 **37%**



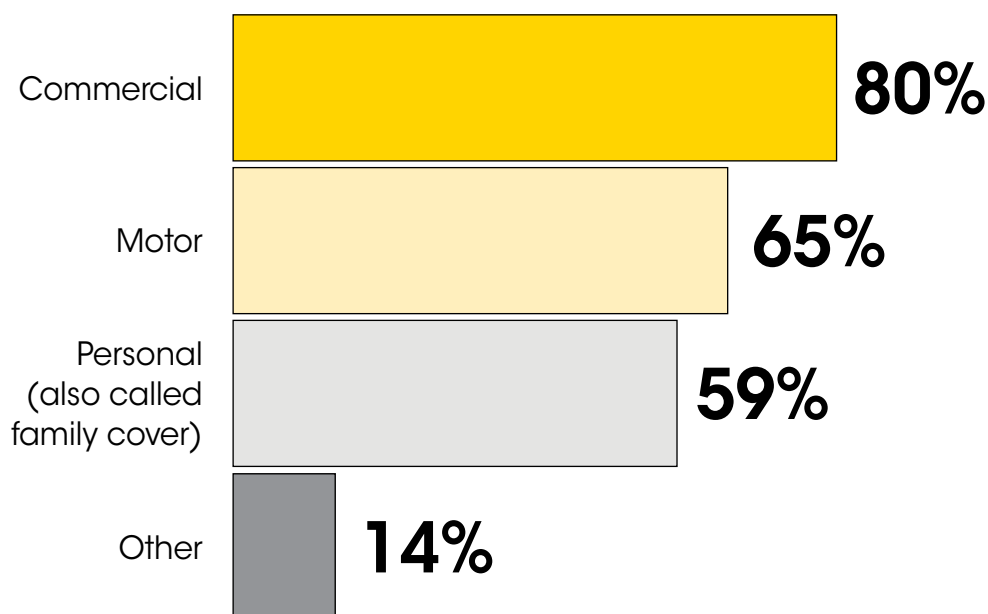


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Although in the past there may have been a perception that LEI was predominantly sold with motor insurance, in recent years, there has been a considerable rise in LEI bought by commercial customers.

This is hardly surprising, given the pressures many SME owners are under in terms of employment disputes and other legal issues. In particular, it was reported last December that the number of employment tribunal cases had risen by two thirds in the third quarter. This followed a Supreme Court ruling which found employees should not be charged for bringing cases against their employer.

Between July and October 2017, cases rose some 65% to 7,042 from 4,241 according to the Ministry of Justice. In the three months to December 2017 the increase was 90%. It was ruled that the government had not acted lawfully when it introduced tribunal charges which ranged from £390 to £1,200 depending on the case. Thus when brokers were asked about the types of cover they sold, it was shown that commercial LEI topped the table. ■

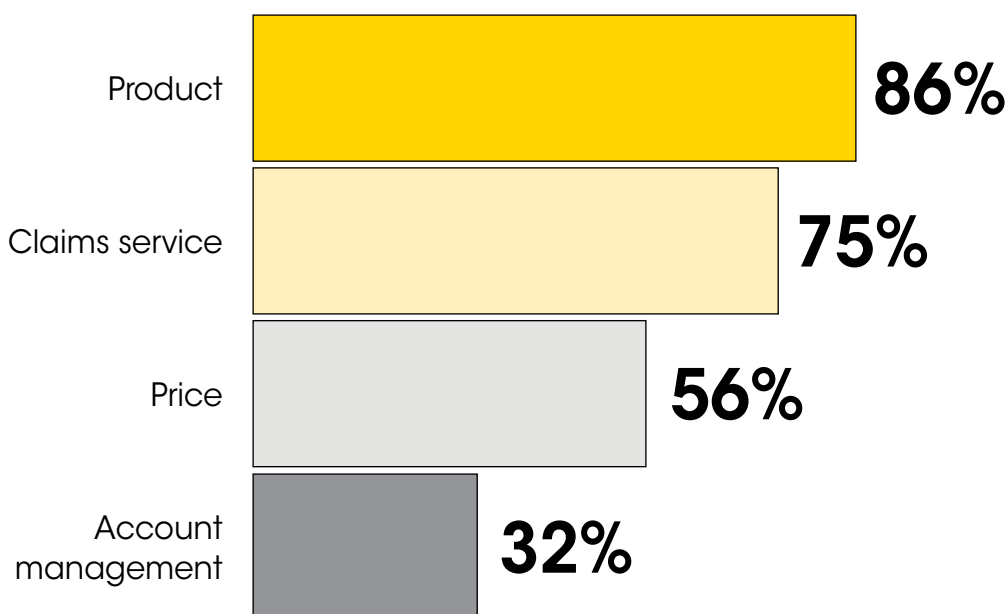




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### UNDERSTANDING HOW THE COVER WORKS

Many brokers do have some knowledge of LEI and are hugely supportive of the product – indeed, the vast majority saw benefits in offering quality (86%) over the lowest price.



However, every type of insurance will have some exclusions and so it is important that customers are clear at the outset about what is and is not covered. One advantage in buying from a broker is that they can run through the claims process and other features such as the helplines and online legal documents, which can be extremely useful and valuable.

There are a number of LEI providers, with costs and quality varying significantly, therefore brokers may want to periodically assess the cover and insurer to decide which are offering the best products, in addition to monitoring claims performance.

Another issue to look at is the number of complaints the provider has generated and whether the product is underwritten by a UK or an offshore insurer.

Bryan Banbury, managing director with Russell Scanlan, comments: "I think LEI is an interesting area as we are starting to see some providers evolve – with cover, you get what you pay for and this is something brokers need to get across."

He explains that with commercial clients, LEI will typically provide a core level of protection, although adds: "For smaller firms in particular that are on a budget, it can be difficult – but quality cover is going to cost and we will help them assess which is going to be most useful."

Banbury believes a good LEI product will be particularly useful for its helplines: "From experience, I can say the quality of advice has improved. Previously, the advisors were cautious. But now, the better providers have employed people who are more experienced and they can give an informed view, I've known clients who've found them very helpful when they need a second opinion."



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In terms of working with brokers, it should be noted that LEI providers can tailor products for brokers offering schemes, which can make the cover highly relevant.

Richard Truman, head of operations at Simple Landlords Insurance, says: “Legal expenses is a product that unfortunately not enough people understand. For our customers, it has been particularly useful when combined with rent guarantee to help landlords claim rent arrears and support eviction proceedings against tenants who have breached their tenancy agreements.”

He adds his firm takes an active role in supporting clients. “For example, we offer to issue notices on behalf of our landlords, avoiding a common problem of these not being issued correctly, which can lead to claims being declined. Many landlords don’t realise that legal expenses cover includes this practical support and with evictions and rent arrears at an all-time high, are often glad to have it.”

Meanwhile, Rod Lynn, who owns broker Scullard & Prosser, emphasises that with a number of policy options available, brokers can find cover suited to most individual circumstances. He adds: “I mainly sell motor legal protection and it’s straightforward, with most customers choosing it. Service standards tend to be high.”

Ian Mantel, director with Manor Insurance Services, is another supporter of LEI but says it is vital that customers buy from a qualified insurance professional so that they can select the most appropriate products: “Brokers should ensure the policies they recommend are as comprehensive as possible and that the helplines are of a decent standard – I’m aware of one client who wanted a disciplinary letter they’d drafted checked and they were able to do this over the phone, so they certainly felt the product was good value for money.”

Towergate’s head of ancillary products and services management, Hannah Boulton, agrees LEI cover can be useful in areas that can be relatively common such as employment disputes and contract wrangles, but quite often, most value comes from the helpline. “This helps mitigate a situation resulting in a formal claim and it should be recognised this has an intrinsic value as part of the overall proposition.” ■

### EDUCATING CLIENTS ABOUT LEI

Legal matters can be complex and so it is therefore helpful and time saving to know that LEI providers can give the policyholder a clear steer on whether their case has a reasonable chance of success – and therefore a claim can be made – and for them to be recommended a lawyer with particular expertise. This is in addition to making legal action affordable as legal aid is now an exceptionally scarce resource.

With this in mind, Martin Bridges, technical services manager for the British Insurance Brokers’ Association, comments that its members perform a vital service in advising customers: “I think the key issue for legal expenses insurance is that it covers certain events defined in the policy and not ‘every and any’ legal eventuality, although the legal helpline would respond to over the phone advice on any legal matter.”

On commercial LEI, he adds: “I think that this essential cover that any business, irrespective of size, should buy, particularly for the employment and criminal prosecution defence covers. He adds motor and household LEI are “often reasonably priced and good cover”. ■

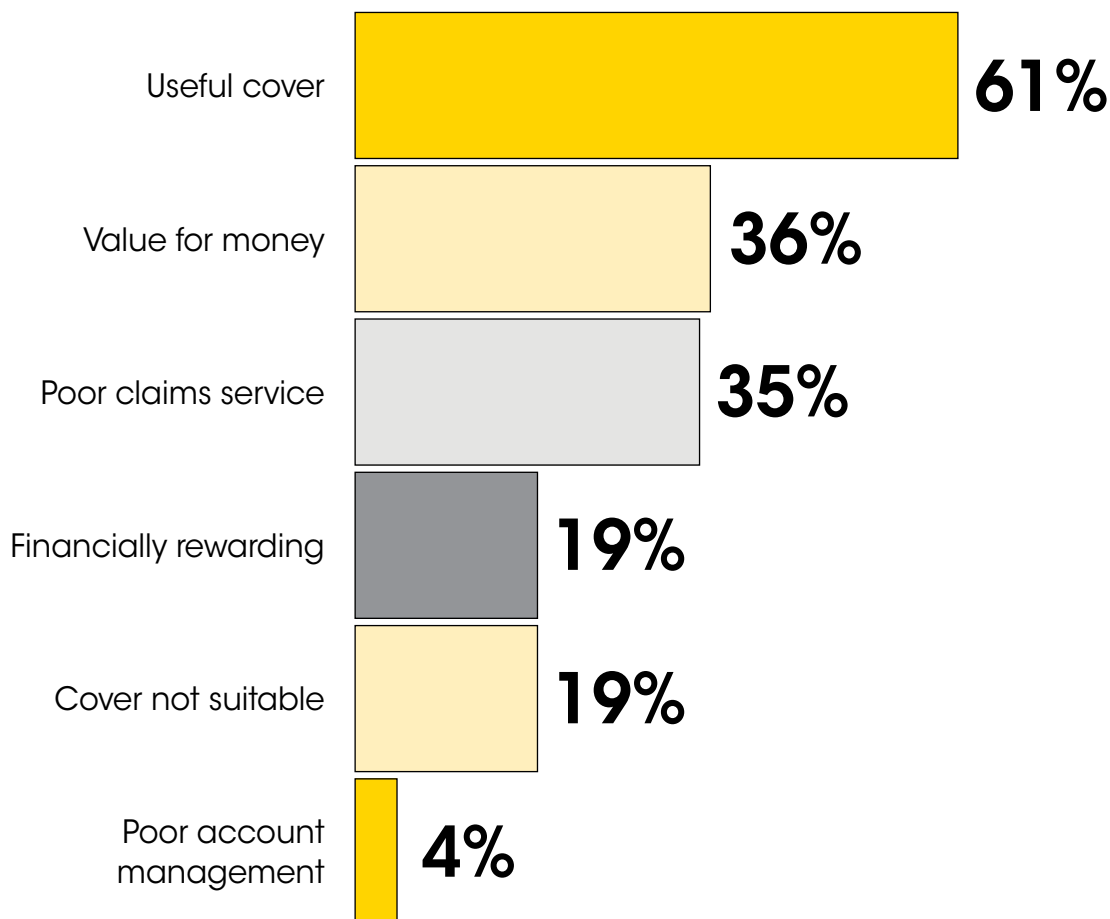


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### DO BROKERS HAVE CONCERNS ABOUT REGULATORY SCRUTINY?

LEI is often an ancillary product and brokers must be mindful, in the regulatory environment, to ensure that customers are aware of what they are buying and that it is appropriate for them. Back in 2013, the Financial Conduct Authority published a thematic review on motor LEI and it was acknowledged that LEI is valuable cover and there needs to be sufficient customer understanding.

Any fear of mis-selling appears somewhat outdated for brokers as long as they ensure they have good sales protocols in place and that their employees feel confident to advise on the cover correctly. Linked to this brokers were asked about their experience of selling LEI, with a majority declaring it is a useful product.



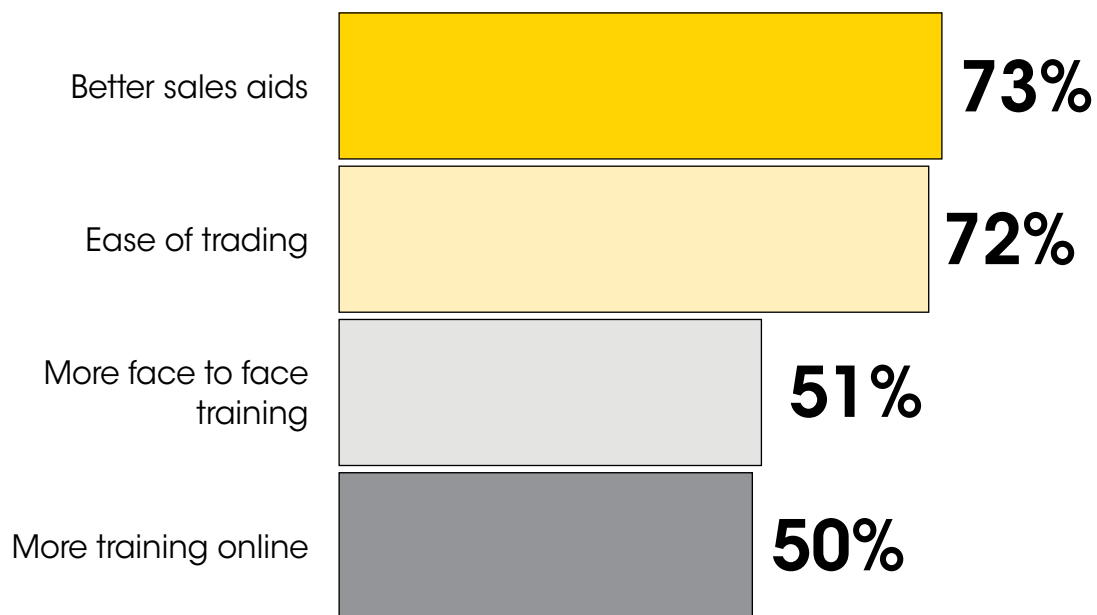
Again, if brokers are not supporting LEI, it may be sensible for them to look at other providers in the market to see if there are higher quality alternatives with improved services levels available. ■



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### WHAT WOULD ENCOURAGE MORE SALES?

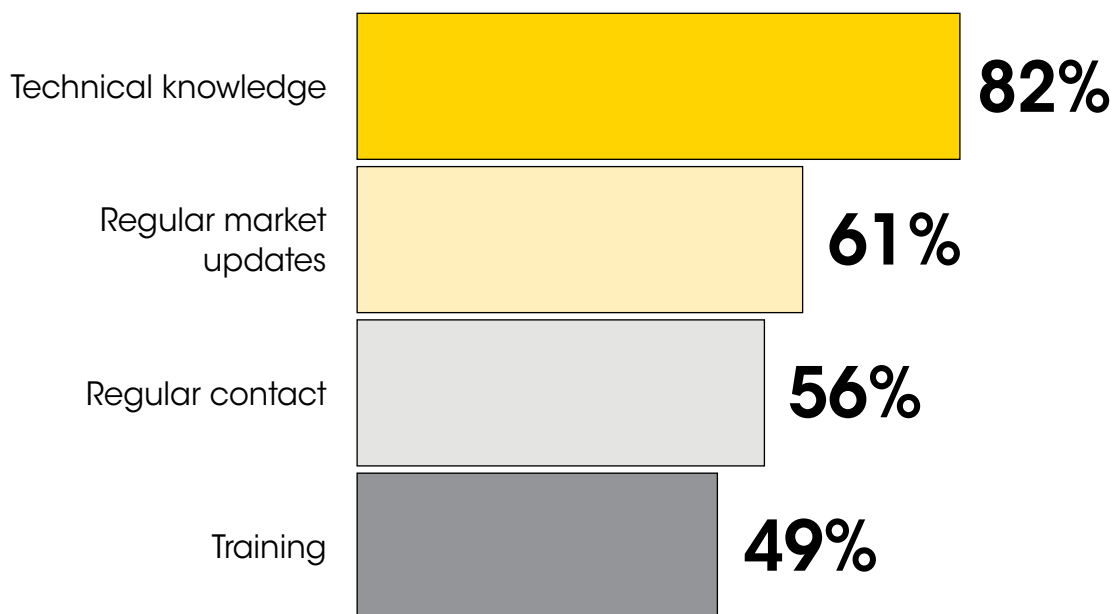
Brokers were then asked what could be done to encourage them to sell more LEI. With the results suggesting they want more relevant and up to date material to show to customers (73%), which could include real life case studies showing the types of claims that are being paid.





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In terms of LEI business development staff, brokers were also asked for their preferences, with the most up to date and expert technical knowledge coming top.



So to conclude, the legal expenses market continues to evolve, resulting in many opportunities for brokers – what is more, for those willing to get to know the market thoroughly and offer personalised service, it also allows room for differentiation. ■



### LEI – GET TO KNOW PRODUCTS AND PROVIDERS

Lesley Attu, product development manager at ARAG, says brokers need to take a look under the bonnet to appreciate the differences between providers. "There is sometimes a tendency to see LEI as a commodity and select on price alone but, like most insurance, the quality of cover and claims service varies enormously. Better products also offer other benefits - helplines and legal document services - that make it easier to sell and help brokers to retain clients come renewal time."

She says the best providers carefully monitor the business landscape and build products that are up-to-date with the legal and economic environment. "Most importantly, they also tailor their cover and sometimes service to suit specific markets and clients, which makes the product easier for brokers to sell and much more valuable to the client."

She adds that checking out complaint levels and customer reviews can all help brokers to build a picture before making recommendations.

Equally, Attu adds that a deeper understanding can help brokers to set the record straight around some perceived drawbacks of LEI. "The legal process can sometimes be very slow, so it's important clients understand that progress isn't always in our hands and that expectations are managed. It's not a simple question of assessing and settling claims."

Similarly, the "prospects of success" clause common to almost all LEI policies isn't an arbitrary barrier put in place to frustrate policyholders. "Requiring claims to have at least 50% chance of succeeding at trial is a common yardstick in law. Judges take a dim view of claims that don't have merit and it is the same test applied to legal aid, in the ever diminishing number of cases for which it is still available. Most policyholders understand that it would be unprofessional for a solicitor not to advise when their client's cause is a lost one."

LEI providers use of panel law firms is also fundamentally in the policyholders' interest. "Panel firms are tried and tested. They have departments that specialise in the areas of law covered by LEI policies, are used to handling such claims and work to strict service standards, that they are audited on. Just because a firm on the high street did a good job with your conveyancing, it doesn't mean they are the best choice to handle an employment problem."

Nonetheless, providers do allow policyholders to use their own solicitor in certain circumstances, though the client will typically have to pick up any shortfall in fees. "Most customers understand that LEI policies provide a lot of value for a very small premium and can't just offer a blank cheque to lawyers."

"Clients are often surprised to find that the modest premium lets them speak to a lawyer about any legal problem and often gives access to some really sophisticated online document building tools, even if they never have to make a claim. A lot of our brokers find this really helps them to differentiate their offering and is a great retention tool."



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