

(LEGAL PLANS RARELY GET THE CREDIT THEY DESERVE)

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BROKERS WITHOUT BORDERS





EASY SELL?

by William Atkinson

To some observers, legal plans have become a key product in the new voluntary market resurgence. Some suggest offering legal plans helps brokers differentiate themselves; Some claim they almost sell themselves. But because commissions aren't as high as other plans, and because a lot of brokers worry about "overloading" clients with too many plans to the detriment of more important ones, legal plans are often pushed to the side. 

GROWING POPULARITY

Marcia Bowers, group sales director for Hyatt Legal Plans, says her company's product has been on the market since 1981. "We have a national network of about 11,000 plan attorneys in all 50 states, plus territories."

Bowers believes now is the best time for legal plans. "Business is robust," she says. "Over the last seven years, our voluntary enrollment business has been growing in excess of 15 percent a year." And she believes 2010 will be one of the company's best sales years ever. Despite last year's economy, the company added 150 new accounts, including six or seven Fortune 500.

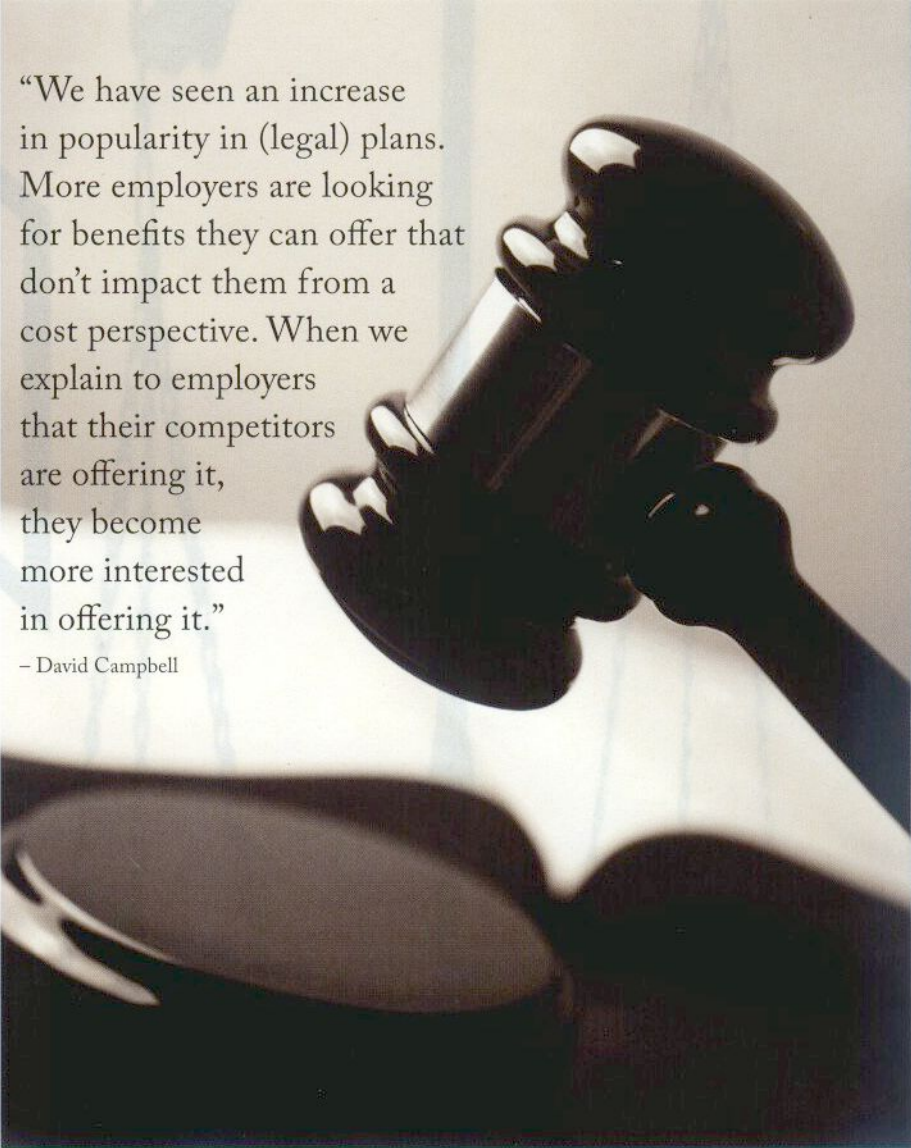
Hyatt Legal Plans has more than 1,200 legal plan sponsors - employers that offer the company's legal plan to their employees. More than 100 of these are Fortune 500 companies, and most of them represent voluntary enrollment. About half of these employers have a broker, and, as a result, Bowers says legal plans offer a way for brokers to get more involved with their clients.

David Campbell, senior vice president with Marsh Global Consumer (which sells Hyatt Legal Plans) agrees with Bowers' assessment.

"We have seen an increase in popularity in the plans," Campbell says. "One reason is that more employers are looking for benefits they can offer that don't impact them from a cost perspective. They can add a benefit like this, which has appeal to their employees, without any hard-dollar costs to themselves."

Legal plans are also considered a "mature" product, and that makes them easier to sell. "More and more employers are offering it," he notes. "As such, when we explain to employers that their competitors are offering it, they become more interested in offering it."

Donald Rowe, vice president, employee



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benefits, for Legal Club of America, also sees growing popularity for his company's plan. "One reason demand is growing is because we live in a complicated society," he states. "Family law, such as divorce, has always been an issue and continues to be, as have been tax issues. In addition, these days, more people are having issues with things such as mortgages, bankruptcies, and ID theft."

EMPLOYER CONCERNS

Selling legal plans is not a cakewalk in all cases. Employers have concerns, questions, and even misunderstandings. However, once these are addressed, the sales process usually goes smoothly. Here are four common concerns and misunderstandings.

- 1) **"Are my employees going to sue me?"** One of the first and most common objections employers raise is a concern that, if they offer legal plans, employees will sign

up and use their new-found “legal power” to turn around and sue their employers.

Plans don’t allow this option. “Our basic plan covers things such as estate planning, civil litigation, adoption, traffic issues, consumer matters, debt issues, and unlimited telephone advice and office consultation,” explains Bowers. There are two things the plan flat out doesn’t cover - one is criminal matters. “However, if an employer wants this coverage for employees, we can tailor a plan for that,” she adds.

The other situation is one in which the employee wants to sue the employer. “In fact, this is a concern that employers mention frequently when they are approached about offering the plan,” she states. “With our plan, the attorneys are prohibited from even offering any advice to employees on this at all.”

- 2) **“I’m confused.”** According to Campbell, there is also some employer confusion about what the plan covers. “We offer group legal plans that are insurance products, not legal discount plans,” he explains. “Some employers have negative feedback about the discount plans, so we clear up that confusion for them.”
- 3) **“How difficult is this going to be to implement?”** Campbell has found that employers sometimes balk at offering the plan, because they don’t want to take the time and effort they think it will take to implement it and communicate it properly to employees, especially if there have been cutbacks in their HR departments.

Many plans eliminate this employer concern. “Our plan is easy to implement and doesn’t cost the employer much at all,” Bowers says.

LEGAL PLANS AND IDENTIFY THEFT PROTECTION

Pre-Paid Legal Services also sells a special identify theft protection component with a focus on small groups - 100 employees or less. The pre-paid legal and identify theft protection can be sold together or separately. “Clients aren’t required to purchase both, but we recommend it,” states Mark Brown, co-CEO and chief marketing officer. “When people experience identify theft, they need to be able to access the legal system for this.”

Brown says it’s often after hours when people are made aware of identity theft, like if they get pulled over for a traffic violation. “In most parts of North America, people can access our legal system nights, weekends, and holidays,” he adds.

About 65 percent to 70 percent of the time employees are off work not because they are sick, but rather because they have personal problems, many of which can be legal in nature, according to Brown. “This is one reason employers see it as such a value,” he states. “It is more than just offering another benefit. It directly helps them by helping to keep employees on the job, instead of taking days off to try to deal with these problems themselves.”

Pre-Paid Legal Services shows certain agents and brokers how they can provide a free training program on identify theft to employers and their employees. “This is a value-added program that we offer at no cost to employers,” states Brown. “Agents are specially trained in how to do this training, and they have to be top producers in order to be able to offer it.”

“For example, there are no administrative fees. We provide employers with materials to provide to employees. The only thing employers need to do is allocate a payroll deduction, collect the enrollment data, and send that data to us on a regular basis.”

Hyatt’s plan also takes care of all the customer service, in addition to managing the attorney network. It offers a client service center (call center) that is staffed for peak volume with trained representatives to help employees understand their coverages. “Many of these representatives have been with us since the beginning,” she adds.

- 4) **“I’m just not interested.”** When

Rowe meets with potential clients, the most common response is no response at all. In other words, when employers are approached with the opportunity to offer a legal plan to their employees, most of the time they don’t bother. “They tend to want to focus their attention on the drama related to the medical plan, or other issues,” he explains.

SELLING POINTS

When employers express no interest, there are several things a broker can explain to make the plan “top of mind.”

- 1) **Legal plans provide absence management.** According to Bowers, a legal plan offers a real benefit to

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employees, because it offers easy, convenient, and affordable access to attorneys. "Most people don't have their own attorneys," she explains. "In addition, surveys routinely show that about 70 percent of people have at least one new or ongoing legal issue that they don't handle, because they don't have their own attorney, they fear high cost, they are intimidated by the legal system, and they don't know how to evaluate attorneys in terms of who will deliver good service."

"People who have legal-related problems and have the ability to have these handled in an expedient and professional manner are going to experience less distraction in the workplace," Rowe adds. Otherwise, a lot of these employees are going to be trying to deal with these issues on their own, such as calling or faxing documents to banks, during the workday.

2) **Legal plans are affordable.**

Hyatt's plan is about \$200 to \$250 a year. "So, if employees use it for even one legal matter, it generally pays for itself," notes Bowers.

3) **Employees get a lot of usage from the plans.**

Hyatt's plan also covers spouses and dependents. "We don't impose usage restrictions. In fact, we want employees to use it as often as they need. We have found that, the more employees use it, the more likely they are to retain it next year." Average annual usage is about 150 percent, meaning that, for every 100 legal plan members, about 150 matters will be covered in a year. "Besides using it for issues that really concern them, they also use it for things such as estate planning, wills, and trusts," she explains.



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In fact, according to Bowers, the recession proved to be good news in that a lot of employees really needed their legal plan during that year, for things such as credit and debt collection issues, refinancing, bankruptcy, and so on. "This let us promote the plan to the broker community and to their clients," she states.

- 4) **Employees appreciate the plans.** Because of the value of the plans to employees, there is tremendous ROI to employers, according to Bowers. "Employees appreciate the fact that they now have their own attorney on retainer."

METRICS

Just how popular are these plans with employees? According to Bowers, typical enrollment for Hyatt's plan is between 8 percent and 10 percent, which she notes is strong for a voluntary plan. "This tends to grow each

BY THE NUMBERS – HYATT LEGAL PLANS

150%

AVERAGE ANNUAL USAGE – for every 100 legal plan members, about 150 matters will be covered in a year.

82%

AVERAGE RETENTION – with typical enrollment of between 8 percent and 10 percent.

8% to 20%

PARTICIPATION – when legal is bundled and communicated with core products.

year, too," she states. "Some plans that have been in place for 10 or more years may be as high as 20 percent." In addition, year-to-year retention for the plan averages 82 percent.

Campbell says the most success has occurred when the company offers the legal plan at the same time that it has open enrollment for other core insurance products. "When it is bundled and communicated with core products, we see double-digit participation, between 8 percent and 20 percent," he states. "However, if we offer it off-cycle or in other ways that are not involved with core, enrollment might only be in the 2 percent to 4 percent range."

BROKER EXPERIENCE

One brokerage that has had success by adding legal plans to its product line is Wingate Insur-

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Avoid the potholes



ONLINE EXCLUSIVE

The need for protection is there, and legal plans are becoming a must-have. Visit BenefitsSellingMag.com to read Jim Barone's "An open and shut case for group legal plans."

ance. The company got involved a number of years ago, when a local company, LMO America, began selling pre-paid legal plans.

"We investigated it and realized it would be a pretty good fit for us," recalls Owen Wingate, co-owner. "It was a low-cost benefit that smaller employers could offer to their employees."

Services were also useful, like getting wills done for free. Wingate still sells this plan. "We don't actively promote it," he states. "In most cases, we wait for employers to ask us about it. However, the company does a fantastic job for us and for our clients."

For its bigger groups (500-plus), Wingate actively promotes Hyatt Legal Plans. "What we like about Hyatt is that they do most of the work, so the employers don't have to bog down their HR departments with a lot of work."

In terms of participation, Wingate finds that employees sign up in the range of 10 percent to 12 percent. "There is a lot of strain on money these days, so only the

people who think they are going to use it will actually buy it," he adds.

Robyn Piper, principal with Piper Jordan, became interested in legal plans in the 1990s when she worked for a large employer that offered a legal plan, and she purchased it herself. "I used it for a condo issue that I had, as well as to create a will," she recalls. "I also used the service to ask questions every once in awhile, so I quickly saw the worth."

These days, Piper makes it available to her clients, but whether or not she actively promotes it depends on the client and their demographics. "I want them to be covered with the basics first," she explains. "Then, if I feel there is additional disposable income among the workforce,

I may also offer a legal plan."

How she promotes it also depends on whether she is catering to executives or to the hourly workforce. "One plan I use focuses more on executives," she explains. "Another offers a discount program, which caters more to the hourly population that just wants an initial phone consultation."

According to Piper, everyone has legal issues that pop up now and then, including identify theft and credit counseling. "As a result, I get asked for information on legal plans more often these days," she adds.

According to Rowe (Legal Club of America), the best way to succeed with legal plans is to actively market them. "Brokers need to be out-front in offering these plans, not just being reactive if an employer asks about it," he emphasizes. "Be sure you are seen as someone who is bringing this forward, not just someone who is responding." ■



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