

The Future of the Legal Industry is Now

*How Legal Insurance is a Solution to the
Access to Justice Problem in America*



A vast divide still exists in the United States today between the more than 1.3 million active attorneys and the millions of Americans with unmet legal needs. This gap — the access to justice problem — has been analyzed recently, with organizations such as the American Bar Association (ABA), State Bar associations and the Conference of Chief Justices offering solutions like alternative business structures, innovative technologies and legal checkups. In addition, the Chief Justices of every state passed Resolution 5, which encourages all states to provide 100 percent of its citizens access to affordable legal services. Among the innovative solutions suggested by these groups is legal insurance.

Legal insurance is an ideal solution to the access to justice problem. It makes Americans more aware of their legal needs, makes legal services more accessible and affordable, and provides a service experience that elevates individuals' opinion of the justice system and attorneys — instead of trying to replace them.

As lawyer and leading legal technology consultant Robert Ambrogi of Lawsitesblog.com puts it, "One very clear strength of legal insurance is that it is a solution that involves lawyers. It enables consumers to get legal services from qualified lawyers at prices they are more likely to afford."¹

In addition, the ABA Commission on the Future of Legal Services concluded that "legal insurance...can provide more affordable legal services while also helping individuals recognize when their problems have legal solutions."²

Let's take a look at how legal insurance is partnering with attorneys and the legal industry to improve awareness of, access to, affordability of and service excellence for legal services.



Why Access to Justice Matters

According to the World Justice Project (WJP), the rule of law (which includes access to affordable legal services) “reduces corruption, combats poverty and disease, and protects people from injustices large and small. It is the foundation for communities of peace, equity and opportunity.”³

Yet the United States of America, which prides itself as a leading proponent of these values, ranks last in accessibility and affordability of civil justice when compared to 23 other North American and Western European countries. We don’t fare much better when compared to all 113 countries the WJP surveyed in 2016, tying for 94th place with seven other countries, including Egypt, Kenya and Tanzania.⁴

When you look at the percentage of Americans currently served by our justice system, this ranking makes sense. Experts estimate that only 20 percent of the legal needs of low-income people⁵ and 40 percent of the legal needs of middle-income people⁶ are being met.

This means that the legal system isn’t working for the majority of Americans.

On the other hand, many countries that rank in the top 10 for access to affordable civil justice, including Germany, Denmark and the Netherlands, are countries that support and promote legal insurance.

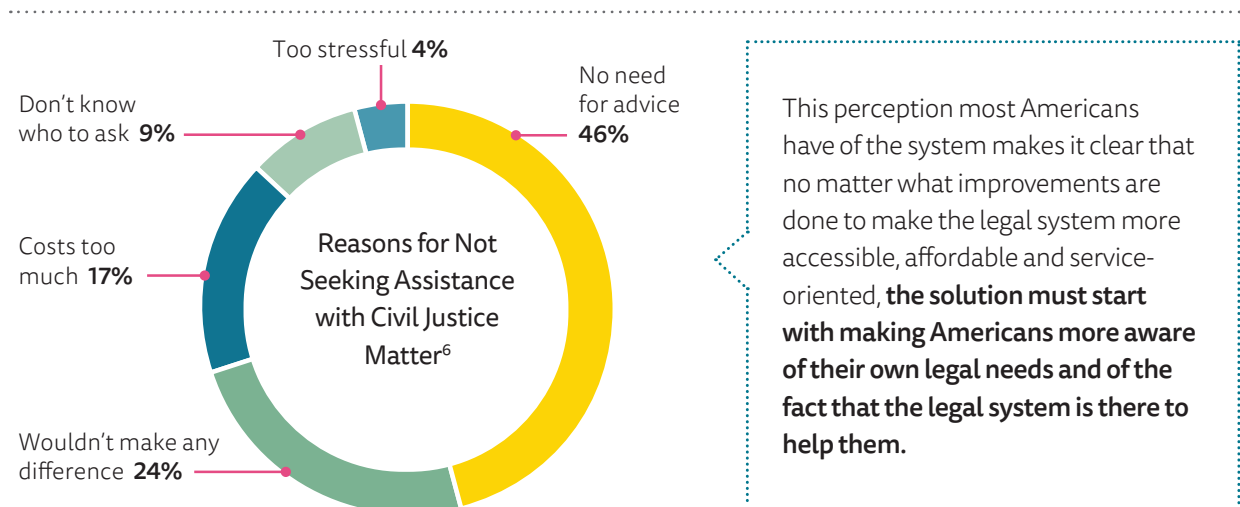
“Our pledge of allegiance, which many of us grew up saying every day in school, ends with ‘liberty and justice for all.’ If you believe in that pledge, then we need to be fighting as a profession, as a community, as a country, to make sure that in the United States justice truly is available for all people.” - Ramón A. Abadin, past president of the Florida Bar

Awareness

People need to understand they have a legal issue

Americans have come to think of the legal system as “a highly undesirable final option,” something to be used only “when all other possible solutions have been exhausted.”⁷ One American Bar Foundation study found that only 24 percent of people with civil justice problems used an attorney. These were people dealing with “troubles that emerge at the intersection of civil law and everyday adversity, involving work, finances, insurance, pensions, wages, benefits, shelter, and the care of young children and dependent adults, among other core matters.”⁸ In other words, they were dealing with everyday legal matters that could almost always benefit from an attorney’s guidance.

This chart shows the reasons why people surveyed did not use an attorney. The most commonly cited reasons were that people didn’t see a need for help or didn’t think using an attorney would make a difference.



Once people realize their “everyday life issues” are also legal issues and that an attorney can help them deal with these issues, they will start using the system more.

Legal insurance increases people’s awareness of the legal matters in their lives — and encourages them to be proactive in dealing with them. It also educates people on the best way to deal with legal matters, which is almost always with the help of an attorney. Unlike other solutions, legal insurance doesn’t replace attorneys – it makes people aware of the need for them.

How does legal insurance do this? Think about a similar and more widely known insurance in America: health insurance. Americans with health insurance are more likely to visit the doctor or get medical treatment than those without insurance.⁹ Part of this is due to cost, but it is also because the health care system makes people more aware of the benefit of seeking out doctors’ expertise. Once people begin visiting doctors and seeing the benefits, they become more comfortable with the process and it becomes second-nature.

In the same way, legal insurance can help people become more comfortable consulting with attorneys. An ARAG® study found that more than 90 percent of people with legal insurance are somewhat or much more likely to consult with an attorney as situations arise (as compared to if they didn’t have legal insurance).¹⁰



Helping improve attorney awareness

Legal insurance is not only a resource for individuals in need of legal help: it is also a valuable resource for attorneys, particularly solo and small practice attorneys who are juggling client work, budgeting, office administration, marketing, etc. Legal insurance helps attorneys who may not have as much time as they'd like to stay up-to-date on trends and technology in the legal industry.

The ABA Commission on the Future of Legal Services concluded that "the most important innovations – the innovations that disrupt and transform an industry, bring down the cost of goods and services, and ultimately help the public – are ... created with the assistance of outsiders who bring fresh perspectives and new approaches. The Commission believes that lawyers will achieve greater innovation and increased efficiencies if they embrace interdisciplinary collaborations and work closely with people from other fields."¹²

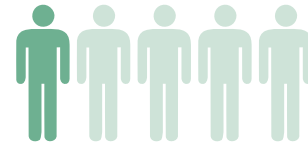
Legal insurance providers like ARAG offer free ongoing training and educational opportunities for attorneys that can help them stay current on the latest industry and technology changes and service expectations. These resources help attorneys remain competitive, grow their business and retain existing clients.

More than 90 percent of people with legal insurance are somewhat or much more likely to consult with an attorney as situations arise (as compared to if they didn't have legal insurance).¹⁰

Where are people getting their legal information?



Three out of five "legal consumers" go online to investigate and/or resolve their legal issue.¹¹



One in five legal consumers believes that with enough time and research they can "harness the knowledge and expertise of a trained lawyer."¹¹

If people are online searching for information, we need to make sure we are putting the right information online for them to find. ARAG provides educational resources and online tools that point people toward attorneys and emphasize the benefits of relying on professionals instead of Google®.

Accessibility

Legal services — the way people want them

Once people are aware that they have a legal issue, they need to understand what legal services are available and how to access them. Many people want to access legal services using technology. The Summit on the Use of Technology to Expand Access to Justice recommends that the public should, at a minimum, have access to “a website accessible through computers, tablets or smartphones that provides sophisticated but easily understandable information on legal rights and responsibilities, legal remedies, and forms and procedures for pursuing those remedies.”¹³

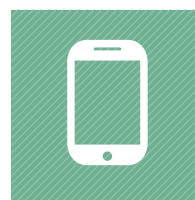
ARAG legal insurance provides access to legal information and services where people want them:



Online



Over the phone



mobile devices

On ARAG’s website, members can search for attorneys in their area who practice a specific area of law or chat with a customer care representative who can help them identify an appropriate attorney. With ARAG’s mobile app (launched in early 2017), finding a vetted, local attorney can be done anywhere, at any time. And for those individuals who prefer phone conversations, customer care representatives can guide people through a series of questions to help them find the right attorney. Then, attorneys are available via phone, email, in person or even via video chat, depending on the attorney and member’s preference.

All of these options make qualified attorneys more accessible to potential clients, without increasing the burden on attorneys. By the time the individual is connected to a legal insurance network attorney, the attorney will feel more prepared, having received basic information about the client’s case from ARAG. And the attorney knows the client will be prepared too — thanks to the information ARAG sends the client prior to meeting with the attorney, plus online resources like guidebooks and tip sheets available in the ARAG Education Center. This all results in a smoother experience for everyone involved — clients, attorneys and the courts.

Creating a legal community that reflects the general community

Language, cultural and diversity barriers also stop people from using attorneys. People want access to attorneys who reflect themselves, their communities and their languages. The ABA found that while minorities constituted 23 percent of the American population in 2015 (a total projected to grow in the coming years), only 12 percent of attorneys were minorities.¹⁴

Legal insurance is committed to providing plan members with diverse attorneys who reflect American demographics. ARAG has multilingual attorneys and customer care specialists, along with interpretation services for a wide variety of languages, such as Spanish, Mandarin, French, Portuguese and Vietnamese. ARAG also asks attorneys to create profiles with additional information so that plan members can be comfortable in choosing an attorney who fits their needs.



Connecting attorneys to the market

Any solution that hopes to bridge the justice gap needs to move both sides closer to each other.

“We frequently make reference to access to justice.... But what about lawyers access to the market? How can lawyers change...in order to open up relationships?”¹⁵ -Jordan Furlong, legal industry analyst

For attorneys, being part of a legal insurance network is a powerful marketing tool to help them build qualified referrals. The ABA Commission on the Future of Legal Services found that legal insurance plans “provide an efficient mechanism for matching clients in need of services with lawyers.”¹⁶

Legal insurers help match clients with attorneys based on areas of law and location, **without any need for attorneys to pay referral fees.** Legal insurance bridges the gap between attorneys searching for clients and clients searching for attorneys.

Affordability

Removing the cost barrier

The NCSC report found that “while three-quarters of judgments [in civil courts] are smaller than \$5,200, the expense of litigation often greatly exceeds that amount.”¹⁷ No wonder so many people forego an attorney. In fact, a 2015 study found that in 76 percent of cases, at least one of the parties is unrepresented (usually the defendant). The study also found that “it is clear that [attorney representation] does affect case dispositions” because attorneys are more aware and inclined to take advantage of “procedural options” that would resolve cases more quickly.¹⁸

Cost is clearly a factor for people seeking legal remedies, and it prevents more individuals from resolving their issues faster and more successfully.

A 2016 ARAG study found that people who used an attorney reported that they received an additional \$2,700 on average (in cases that involved a settlement) thanks to the attorney’s assistance.¹⁹

With legal insurance, cost is no longer a barrier to access. The monthly premium (which is usually somewhere between \$15 and \$25) is easy to budget for, making legal situations less stressful because although the situation may be unexpected, the costs are not.

Ninety percent of ARAG plan members feel that having legal insurance reduces their stress,²⁰ most likely in part because they are saving an average of \$3,550 in attorney fees per legal matter.²¹

When legal services become more affordable, people are more likely to use them proactively, similar to preventative care and annual check-ups in the medical world. People without health insurance may avoid going to the doctor or having serious medical procedures done because of cost.²² People without legal insurance might wait too long, until their situation is damaged beyond repair, before they contact an attorney. With legal insurance, people can use attorneys for serious legal situations, as well as for “legal maintenance” issues, like an annual legal checkup to make sure all estate planning documents are in order.



Helping attorneys grow their business

Attorneys are charged nothing to be part of a legal insurance network; in fact, it benefits their bottom line and allows them to become more competitive in the market.

Gillian Hadfield, professor of law and economics at University of Southern California, believes that “there are few sectors of the legal industry that are more competitive” than solo and small firm practices. Yet attorneys operating these types of firms “lack the capacity for investing in marketing, quality control and customer service protocols to improve profitability.”²³

Being part of a legal insurance network like ARAG contributes to your bottom line by helping you gain referrals. ARAG markets your services to millions of people searching for attorneys on ARAG’s network. **And because ARAG does not compete directly with other referral services, such as State Bar lawyer referral programs, attorneys can belong to both to gain more business.**

Legal insurance also removes some of the administrative burdens for solo and small practice attorneys. When working with ARAG, the attorney bills ARAG directly and is guaranteed payment for covered matters: no wasting time (and money) with billing and tracking down payments from clients or sending credit collection notices.

“ Being part of a legal insurance network has brought me clients who otherwise might not have found me – or even been aware they needed my services. And I’m able to establish relationships with many plan members that go beyond just one legal issue. Signing up for the network was one of the best choices I’ve made.”

- Tom Martin, ARAG Network Attorney, Long Beach, CA

Service Excellence

Give clients something to talk about

According to the 2016 *Report on the State of the Legal Market*, “clients are demanding more ‘value’ in return for their legal spend.... However, very few firms have been willing to engage *proactively* in the consideration or implementation of the kinds of operational changes that would be required to respond effectively to the changed expectations of their clients.”²⁴

The ABA focus group feedback echoes these sentiments, with participants sharing that they viewed “poor customer service as a strategic imperative” and believed the legal system to be “time-consuming, prohibitively expensive, impersonal, inefficient and intimidating.”²⁵ Compare this to feedback ARAG receives from plan members:²⁶



88 percent of people who use ARAG attorneys are likely to refer them to friends and family.



ARAG has an **88 percent retention rate** for the more than one million individuals covered by our plans.



90 percent of ARAG plan members feel that having legal insurance **reduces their stress.**



ARAG plan members feel that legal insurance **saves them an average of 8.5 hours** when dealing with legal issues.

Held to a higher standard

In the insurance industry, plan members, clients (including employers who carry insurance as a benefit) and state departments of insurance all have high service expectations. Accordingly, ARAG expects its plan attorneys to provide incredible customer service. That is why we are constantly asking for feedback from plan members.

ARAG has received national recognition for its customer service excellence,²⁷ and our attorneys consistently earn top ratings from plan members. This stellar experience from start to finish means clients are encouraging others to use ARAG network attorneys.

The importance of protecting clients and attorneys

As the legal industry continues to innovate the way legal services are delivered, “organizations seeking to disrupt the legal services model will have to have quality assurance protections in place to avoid harm coming to consumers who use them.”²⁸

Legal insurance is a regulated industry. Insurance companies must meet reserving standards to ensure they are solvent and able to pay claims when the need arises. Clients and attorneys can rely on high standards of service, ethics and accountability.



Helping attorneys serve their clients better

Legal insurance companies like ARAG are committed to providing excellent service to plan members and network attorneys. ARAG provides free continuing education opportunities for attorneys to help them “keep abreast of changes in law and its practice, including the benefits and risks associated with technology.”²⁹ ARAG training covers topics such as how to manage client expectations, how to recruit and maintain clients, and how to incorporate the latest technology into their businesses. ARAG also provides mentoring programs for young attorneys through the ABA Young Lawyers Division and incubator programs. Through sponsorships and educational opportunities, ARAG helps new attorneys hone their skills.

Plan member surveys give attorneys valuable feedback that they can apply to future client interactions. And customer service representatives are always available to help network attorneys with questions. This type of support, along with direct payment for casework, allows attorneys to focus on what they went to law school to do: help people with their legal issues.

Let's Work Together to Close the Gap

ARAG is proud to partner with state bar associations and other legal organizations as we work toward our common goal of providing 100 percent of Americans access to affordable legal services. Learn more about how we can partner with you to increase access to legal services and support attorneys:

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Learn more about ARAG and Legal Insurance: ARAGlegal.com/insights

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- ¹⁹ How the Use of an Attorney Impacts Legal Outcomes." Russell ResearchSM for ARAG, Jan. 2016.
- ²⁰ 2016 ARAG Plan Member Satisfaction Survey.
- ²¹ Average attorney rate in the United States of \$347 per hour for attorneys with 11 to 15 years of experience. "The Survey of Law Firm Economics: 2015 Edition." The National Law Journal and ALM Legal Intelligence, Sept. 2015. Average amount saved based upon top ARAG in-office claims and the hours spent by attorneys per 2015 ARAG Claims Data. The hours spent are multiplied by the average attorney rate (less the average annual cost of an ARAG legal plan).
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- ²³ Gillian K. Hadfield, *Innovating to Improve Access: Changing the Way Courts Regulate Legal Markets*. Daedalus 5, 2014.
- ²⁴ "2016 Report on the State of the Legal Market." Georgetown Law Center for the Study of the Legal Profession, 2016.
- ²⁵ GBA strategies focus groups for American Bar Association, conducted on 16 Apr. 2015.
- ²⁶ 2016 ARAG Plan Member Satisfaction Survey and Underwriting Data.
- ²⁷ Named BenchmarkPortal Top 100 Call Center for six consecutive years. Benchmark Portal has also certified our call center as a Center of Excellence for the past nine years.
- ²⁸ Brescia, Raymond H. "What We Know and Need to Know About Disruptive Innovation." *South Carolina Law Review*, Winter 2016.
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