

Reporters

Theme 1: Professor Hellner (Sweden); M. Margeat (Paris);
Mr Salomons (Netherlands)

Theme 2: Dr H.C. Oldertz (Sweden); Dr Reinhold (Germany);
Mr Rosenmayr (Denmark); Mr Collart (Belgium)

Theme 3: Dr H.C. Oldertz (Sweden)

On September 1st 1987 there will be a meeting of the Working Group 'Motor Insurance'.

BOOK REVIEW

**“LEGAL PROTECTION INSURANCE
AMERICAN AND EUROPEAN APPROACHES”**
Edited by **Werner Pfennigstorf and Alec M Schwartz.**
by **Edward Wright LL.B. Solicitor,**
Director of Hambro Legal Protection Ltd.

In 1985 the American Bar Association met in London. Legal expenses insurers from America and Europe took the opportunity of organising a colloquium at which speakers from various insurance companies and law firms delivered papers explaining the policies on offer in their own country.

These papers are the basis of this book, which also includes specimen policy wordings, and data on market penetration and claims experience.

In the UK legal expenses insurance has made great progress since it was first written in the early 1970s. Several companies offer the cover in a variety of forms ranging from “add-ons” to house and motor insurance costings just a few pounds, to self-contained and more comprehensive plans costing far more. However, despite steady growth the number of people covered is still very small. In Germany though, 50% of all households have legal expenses cover. One insurer, ARAG, has 12,000,000 policies in force. In the UK each insurer has tended to develop its own policy wording, while in Germany a standard form is used.

The policy uses a “building block” approach and the purchaser can build up the cover he needs by opting for one or more of the ten sections. German legal expenses insurers have the advantage that legal fees are vigorously

controlled by the state and are based on a set scale according to the amount in dispute. Therefore it is very easy for insurers to calculate the ultimate cost of any claim. In simple terms the lawyers are paid a set amount regardless of the amount of work involved.

Perhaps this explains why the German insurers are so willing to allow their policyholders a free choice of lawyer. By contrast, in the UK there are wide differences in the fees charged by solicitors and so most legal expenses insurers encourage their policyholders to use “panel” solicitors in the hope that this will help to control costs.

Another difference between Germany and the UK is in marketing. We rely heavily on insurance brokers and other intermediaries to sell the product, while our German counterparts have their own direct sales teams paid on commission. ARAG, for example, maintains an inhouse training centre for sales representatives who also receive on the job training. Apart from that the sales personnel are on their own – roaming their territories and signing up whoever they can. With a conversion rate of 30 cold calls to one sale they must be the most dedicated evangelists of legal expenses insurance anywhere in the world.

Unlike the other countries represented at the colloquium, Germany has a rule that legal expenses insurance can only be written by specialist insurers, not by composites.

In Sweden, legal expenses insurance is sold only as part of other policies – motor and household for example. Self-contained, comprehensive plans such as those sold in Germany do not seem to exist.

The French buy less legal expenses insurance than the Germans or Swedes – but at least one composite insurer is selling it – by direct mail to its household policyholders.

Perhaps the most fascinating parts of this book are the accounts of the trials and tribulations of the American pioneers some 20 years ago. To begin with, the lawyers declared the whole idea unethical and it was only after several years that the Supreme Court cleared the way for legal expenses insurance. There are now several types of plan available.

One of the most popular is the “employee benefit” scheme where the employer pays the premium for his workforce. There are also companies which sell the cover to individuals by using a complex structure of sales agents and sub-agents – just like the methods used by some cosmetic and household products firms in this country.

The Americans are the world leaders in direct mail marketing techniques and this method has been used to sell legal expenses insurance. Unfortunately the insurer most closely identified with this effort was sold and its new owners decided to pull out.

There are wide differences in the cover offered by the schemes on the USA market. The most comprehensive are those operated by the trades unions, on a non profit-making basis. With these schemes you are even covered for the cost of making a will and conveyancing. At the other end of the scale there are the "access plans" which guarantee their policyholders legal advice on any problem. If the problem cannot be solved on the 'phone there is no cover for further legal costs.

In the USA and in Europe interest in legal expenses insurance continues to increase, with more and more insurers selling the cover and more and more lawyers handling the claims. This book is essential reading for anyone involved in the subject – the editors are to be congratulated for providing such a thorough survey of the state of the market and its turbulent history.

**OUR LIFE CORRESPONDENT,
(M.L. DAWBARN, – CANNON LINCOLN GROUP,)
REPORTS:-**

**1. PROPOSAL FORMS AND APPOINTED
REPRESENTATIVES**

At time of writing it seems to be becoming clear that the Securities and Investment Board versus the Office of Fair Trading controversy will be resolved in favour of SIB and that polarisation will prevail. Insurers, unit trust managers, brokers and other intermediaries will be assessing the market place and positioning themselves for the changes which will overtake them within the next few months.

Practitioners of insurance law will need to study the legislation and rule books for the changes that may become necessary in their procedures. The law of agency for instance seems to be directly affected. At present a Life insurer will generally maintain that where an intermediary fills in the answers on a proposal form, he does so as agent for the proposer, not the insurer. In this way the insurer hopes to pre-empt any suggestions that a wrong statement or non-disclosure was the intermediary's responsibility rather than the proposer's.