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Prepaid Legal: From A Novelty To An Accepted Insurance Marketing Opportunity

Life insurance has never been palatable to sell. No one wants to talk about death, let alone death benefits. The average person can be expected to think about love, family, job and money many times during the course of the day, but life insurance is certainly not on the top of the daily list.

Life insurance is at best an intangible, in a market economy where by definition concepts are more difficult to sell than commodities you can touch and feel, such as houses or cars. Mention at a party that you are a life insurance agent and your evening is likely to be spent alone. No wonder industry statistics over the past three decades anticipate that even the successful life insurance agent will sell no more than one life insurance policy per week, 50 over the course of a year.

Prepaid legal plans have been around since the early 1900s; in fact, two Supreme Court cases established their legitimacy. In 1963, the Supreme Court upheld the constitutionality of an NAACP legal program that was pressing aggressively to break down barriers of racial segregation and discrimination. The following year the Supreme Court ruled in favor of the Brotherhood of Railroad Trainmen, a labor union with a legal services program established originally to repre-

sent its members in personal injury disputes arising from railroad accidents.

Finally, in 1975, the American Bar Association dropped its opposition and amended its code of professional ethics, conceding that middle class groups organizing to purchase legal services were as legitimate as businesses retaining corporate clients.

Today, over one million middle-income households are covered by prepaid legal services, and the market is expanding rapidly. In a litigious society such as ours, legal structures pervade every aspect of our lives, and the average person is coming to realize that a lawyer may be useful in situations beyond divorces, criminal indictments and will writing. Looked at appropriately, prepaid legal services are a type of benefit that provides access to legal advice at discount rates. For the professional currently selling life insurance, marketing prepaid legal services may be a door opener that can additionally be a source of recurring commission revenue.

How Prepaid Legal Services Work

An individual subscribing to a family prepaid legal plan typically pays a monthly amount, generally amounting to less on an annual basis than what would be charged by an attorney for

one or two hours work. Alternatively, the prepaid legal plan may be offered as a workplace benefit, often as an elective or voluntary choice. The employee who chooses to participate in a prepaid legal program can usually pay via payroll deduction.

Most plans provide basic services such as the preparation of a will, with perhaps unlimited access to participating attorneys for telephone consultations. Legal representation that requires extensive work is provided at a substantial discount from normal attorney hourly billing fees.

The market for prepaid legal services is Middle America. Over 95 percent of all lawsuits filed in the world are filed in the United States. Yet, surprisingly, the average American has not been conditioned to think of everyday problems in legal terms. Yes, in a crisis situation, such as an arrest for DUI or a divorce, the need for legal representation is reasonably apparent to everyone. Still many more common situations affecting the average person have legal dimensions.

Consider relatively mundane situations such as an expensive purchase of what amounts to a defective product that may or may not be fully covered by a warranty, or a contact from a collection agency seeking to settle an outstanding and overdue credit card debt. Then, too, many more situations today have legal ramifications, perhaps a child is involved in a dispute at school or an employee has been denied a promotion as a result of a prejudice at the workplace.

Prepaid legal services aim to put the services of an attorney a phone call away from reach of the subscribing member. A prepaid legal services card that can be carried in a wallet or purse lists the member's number and provides instructions for calling the appropriate attorney on call. The card can serve as a "legal shield," one readily handed to a police officer as notice that the member is invoking the Constitutional right

to be represented by legal counsel.

Today, many small and medium sized companies have joined the ranks of corporations offering voluntary subscription to prepaid legal service plans on a payroll deduction basis. As the concept expands in the marketplace through this decade, we can envision that subscribers to prepaid legal plans may jump to a level of approximately five million participating families, roughly five percent of the available U.S. market. At this point, the concept will no longer be considered novel and the growth of plans in the decade 2010 to 2020 should increase even more dramatically.

As workplace marketing expands into this new area, prepaid legal services may become as expected an employee benefit as major medical insurance or group life. In the next few years, prepaid legal services may well emerge from being a novelty to becoming another accepted form of insurance the average American expects.

Emerging Marketing Opportunity

The insurance agent seeking to expand marketing opportunities is well advised to consider prepaid legal services. Clearly the concept of discussing the protection of available legal assistance is more palatable than having to bring up issues of mortality in relation to traditional life insurance.

Even if the insurance marketer's specialty is estate planning, prepaid legal services just add another dimension: Does the prospect have a will that meets current needs? Or, on a more complex level, is there a need for an estate tax plan to be drawn up by an attorney? Prepaid legal services complement the portfolio of the life insurance specialist by adding credibility and demonstrating concern for the prospect's current well-being.

The insurance expert who has migrated to workplace marketing can add another dimension to the plan for the employer. For the successful insurance professional who decides to

offer prepaid legal services, there is the important dimension of first-year and renewal commissions that may replace or supplement renewal commissions on the life insurance side of the equation. Many employers have already hit a wall trying to improve employee health benefits in a world of dramatically increasing health insurance costs. Prepaid legal may well add the type of advantage the competitive employer seeks in hiring and retaining talented employees.

About 14 states have licensing regulations for marketing prepaid legal services. As usual, the thicket of state regulations is best navigated with the assistance of a quality provider of the program, the prepaid legal services vendor of choice. Most licensed life insurance agents will be able to qualify to sell prepaid legal services with little or no additional licensing effort. The key is to affiliate with an established prepaid legal services program sufficiently expert to provide knowledgeable assistance on appropriate state regulations.

Although this "new" product is over 30 years old, most employers, employees and consumers, as well as insurance professionals, are just now becoming aware of prepaid legal services. Now that several major insurance underwriters have acquired or begun affiliating with key players in the prepaid legal services world, the landscape has changed.

Independent life insurance agents and those whose brokerage contracts permit representation of multiple insurers are well advised to consider the opportunity now, while the market remains relatively open and yet to be explored. □

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The references to the U.S. Supreme Court cases are as follows: NAACP versus Button, 371 U.S. 415 (1963) and Brotherhood of Railroad Trainmen versus Virginia ex. Rel. Virginia State Bar, 377 U.S. 1 (1964).