

Legal expenses insurance

A research report for the Legal Services Board

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community
research



Bringing the voices of communities into the heart of organisations



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1. Executive Summary

Background and objectives

1. The Legal Services Board (LSB) wished to explore whether and how legal expenses insurance (LEI) could potentially help to reduce consumers' unmet legal needs. Community Research was commissioned to conduct research with consumers to understand their perceived need for LEI and explore what might encourage or discourage them from taking out LEI policies.
2. The research comprised a qualitative online forum lasting one week, with a demographically mixed group of 46 adults in England and Wales.

Context setting – general perceptions of insurance

3. Participants tended to buy insurance for the peace of mind it provided. Beyond this, attitudes towards insurance were fairly mixed, for example, while some were trusting of insurance providers, others were sceptical that they would pay out in the event of a claim. Similarly, although a few were fairly confident in their ability to get a good deal, many found the process of buying insurance stressful and overwhelming. Insurance was a grudge purchase, deemed a necessarily evil, rather than something entered into with enthusiasm.
4. Although the majority of participants had experienced a dispute situation of some kind, few had used legal services to address these issues. Perceptions of the risk of such scenarios happening to them did not always align to actuality (compared to participants' own experiences or LSB's data), and the assumed likelihood of using legal services was low for the most commonly experienced situations. In short, most people thought it unlikely that they would need legal support in the future.

Spontaneous views of LEI

5. Spontaneous attitudes towards LEI were mixed across the forum, ranging from those who thought it was an important and worthwhile purchase, to those who did not see the value in it at all.
6. Responses indicated that most participants (including many of those who had LEI policies) did not have a thorough understanding of what LEI is, or what it covers. Furthermore, most of those who did not have LEI had little knowledge of how much it cost, with the majority assuming it was more expensive than it is.

Use and understanding of LEI

7. Amongst those who had LEI, the main drivers for purchase were wanting the peace of mind it provided and / or having had direct experience of needing legal cover previously (or knowing someone who had). The main barriers amongst those who did not have LEI were not seeing the relevance of it to their lives;



assuming it was not affordable; a lack of trust in the policy paying out; and a lack of understanding of what it was or what it covered.

8. Although some were confident that they fully understood the cover provided by LEI, it was clear that many consumers assumed that it only related to legal issues connected to the type of main insurance being bought (i.e., housing-related issues with home insurance, and driving-related issues with motor insurance).

Informed views of LEI

9. When provided with a more detailed explanation of LEI, many participants were surprised to learn about the extent of the cover provided by LEI and its relatively low cost, often resulting in them feeling more positive about the product.
10. Participants thought that the main reason that more people did not take up LEI cover was due to a lack of awareness and understanding of exactly what it is. They felt that more information should be provided to help people make informed decisions about whether or not to purchase it.
11. There was a mixed response to the idea of LEI being sold as a standalone policy rather than as an add-on to, or included as a standard feature of, household or motor insurance. Some liked the idea of this, recognising that many people instinctively ignored add-ons and were missing out as a result. However, others thought it unlikely that people would buy it as a standalone product and thought it was therefore better offered when buying other insurance.
12. The idea of 'reasonable prospect of success' elicited a mix of views. Most participants welcomed this, seeing it as a helpful way to avoid pursuing a hopeless case. However, for some, this was cause for concern – they did not trust insurers not to use this as a loophole to get out of providing legal services.
13. When explicitly asked, most participants were content with the idea of the insurer choosing a lawyer on the policyholder's behalf – they felt these companies would be better placed to do this and in fact liked the idea of this burden being taken away from them. A minority were concerned that the lawyers might not be up to standard as a result of the insurance company trying to reduce costs, and so found this aspect of LEI problematic.



2. Background and Objectives

Legal expenses insurance (LEI) can be purchased to insure against potential future legal costs. Policyholders can access legal advice and representation with legal costs and expenses being covered by the policy. Sometimes it is included as a standard feature of primary insurance policies (usually motor or home insurance). Alternatively, it is purchased as an add-on to these existing insurance policies. Legal cover can also be included within employee benefits packages and packaged bank accounts. More rarely, it is available for consumers to purchase as a standalone product.

Although the coverage of policies varies, LEI linked to home insurance generally covers property/tenancy disputes, neighbour disputes, personal injury, employment disputes, tax issues and disputes involving wills and probate. However, issues such as debt, mental illness, divorce, criminal proceedings (including domestic violence), and immigration are issues that are not usually covered under a standard Home LEI policy.

The LSB wanted to explore whether and how LEI, particularly that purchased as an add on to or automatic inclusion within home contents cover, can potentially help to reduce unmet legal need¹.

Community Research was commissioned to conduct research with consumers to understand their perceived need for LEI; explore factors that would encourage or discourage them from taking out LEI policies; and understand views on related policy issues. The questions the research sought to answer were:

- What different approaches to risk and views of insurance generally did people have? For example, is the motivation to buy from fear (just in case) or because it is seen as value for money?
- How likely did consumers think they would be to encounter legal issues in future and to what extent did they feel able to deal with these (including being able to afford expert advice)?
- What awareness did they have of LEI?
- Which considerations would encourage them to take out policies and which would discourage them?
- Views on the merits and likelihood of purchasing standalone policies (which are common in some other countries) versus policies packaged into, or sold as an add-on to, other insurance.
- What legal needs would they expect the insurance to cover (and reasonably exclude)?

¹ Based on OECD guidance the LSB defines unmet legal need as when the legal need is not resolved adequately because there was no support/ the support was not helpful.



- What did they think about whether policyholders should be able to choose any lawyer they like or only select from a panel approved by the insurer; and insurers only agreeing to fund cases where there are reasonable prospects of success?

3. Methodology

This research took place in March 2021 during the COVID-19 pandemic and associated lockdowns. The research therefore adopted a remote methodology to reduce risks of transmission to participants and researchers and to enable a diverse group of people to take part.

In outline, the research was in two phases, a rapid evidence review, followed by a qualitative online discussion forum lasting one week, comprising a variety of written discussions, polling and other exercises. Participants gave their views on insurance at a general level, then they were asked to complete a mocked-up version of the online home insurance purchase process, with LEI given as an add-on option at the end, as it often would be in real life. They then shared their spontaneous views of LEI, after which they were provided with some information about it and asked to provide their more considered point of view.

In total 46 adults in England and Wales took part in the online discussion forum. Participants were recruited via the LSB's Public Panel, run by Panelbase. Participants were recruited to comprise a mix of consumers, diverse in terms of:

- Gender;
- Age group;
- Region;
- Socio-economic group;
- Income;
- Legal services experienced in the last 5 years;
- Ethnic background; and
- Whether or not they believed (at recruitment stage) they had LEI.

People who were potentially vulnerable in this market were also included, such as those for whom English was not their first language, people with mental or physical health conditions, and people with low legal confidence².

The [technical appendix](#) holds fuller detail on the approach, sample (along with definitions), and materials used in the research.

² Legal confidence was defined using [Pleasence & Balmer's General Legal Confidence scale](#), p.6. The scale is calculated based on respondents' responses to questions on how confident they would be that they could achieve an outcome that is fair in a number of different scenarios.



Notes on the report

A qualitative method was chosen for this piece of research in order to achieve the greater depth of insight required than would be possible with a purely quantitative approach. However, some quantitative elements were incorporated in the forum; these results are shown in the report for illustrative purposes but should not be extrapolated or considered indicative of the wider population.

Please note that the attributes for verbatim quotes identify whether or not participants had LEI, based on how they answered the question in the research study rather than at recruitment stage.



4. Main findings

4.1 Context setting

4.1.1 Context

In advance of the online forum, Community Research conducted a rapid evidence review to explore consumers' attitudes to risk and purchasing of insurance policies, in order that the primary research could build upon and be informed by existing knowledge. The full report from this can be found in the Appendix.

Important relevant findings included:

- **Negative perceptions of the insurance industry** – trust among consumers is low.
- **Insurance is often seen as a 'necessary evil'** – legal obligations to purchase can lead to price driven decision-making.
- **Comparison websites are now the primary source of information** used to make purchasing decisions on insurance on the UK.
- **Premiums/prices are key in driving decision making around insurance** – reliance on comparison websites may contribute to this as they can lead consumers to focus on price and attribute more importance to it than other features of the product.
- **Lack of awareness of LEI among consumers** - many consumers will have purchased LEI together with some other insurance product, either as an add-on or as part of a bundled product, and so tend to have little or no awareness either that they have this policy or precisely what it covers.

4.1.2 Participant attitudes towards insurance

To provide context to later discussions in relation to LEI, participants were asked to share their views on insurance more broadly; the feedback provided reflected and echoed some of the key points from the rapid evidence review:

- Beyond legal obligations, most were buying insurance for two key reasons:
 - For peace of mind; and / or;
 - Because of direct experience relating to a policy, for example, having needed to claim previously.

"Buying insurance is a bit like buying a security system to protect your possessions and different areas of your life." Female, 35-55, Midlands, AB, No LEI



“It provides peace of mind just in case things go wrong and, so far, it hasn’t let me down on the odd occasion I’ve had to make a claim.” Female, 55-74, North of England, C1C2, No LEI

- Participant trust in insurance was mixed – some felt that insurance companies would try to avoid paying any claims, while others were more trusting, particularly if buying from brands they considered reputable. For some, it was less about confidence in the insurer and more about lacking confidence in their own ability to purchase the right cover, for example, as a result of having not fully understood the small print. Many found the process of buying insurance confusing – and stressful as a result.

“I know of people who have had problems e.g., finding that certain items / events are excluded from their claims policy although these exclusions may not have been clear in the terms and conditions.” Female, 55-74, South of England, C1C2, No LEI

“I am generally quite trusting of insurance but there is always that lingering doubt that should I need to access the insurance, there may be some fine print that makes me ineligible.” Male, 18-24, South of England, C1C2, No LEI

“I dislike buying insurance. I feel it's mostly over-priced, and in my experience doesn't cover the most common situations when you need it. I feel pressured by law and banks to have it really. I find the wording confusing, which makes me distrust it.” Female, 35-54, Wales, DE, No LEI

- Whilst many were confident that they were getting a good deal on the insurance policies they were buying (as a result of careful research and shopping around), it was often acknowledged that the true value of the purchase, would only become apparent if they needed to make a claim.

“Like most people I bridle at the premiums asked. Like most people though I pay them because the stark reality of uninsured loss is simply too dreadful to contemplate.” Male, 75+, Wales, AB, Has LEI

- As highlighted in the rapid evidence review, insurance was often a ‘grudge’ purchase, with a number of participants describing it as a ‘necessary evil’. Many found it a frustrating and overwhelming experience, but most felt that it was ultimately worth buying.

“Insurance sometimes feels like a chore and spending money on something you can’t see - you end up paying a lot over time for insurance, but the impacts of not having insurance probably outweigh the costs.” Female, 55-74, South of England, C1C2, No LEI

- The vast majority of participants in the sample were using comparison websites when buying insurance. Some also sought recommendations from friends or family. A handful admitted to sticking with their existing provider year after year for the sake of ease. None mentioned using brokers in this piece of research.



Participants were asked to say how buying insurance made them feel; the word cloud at Figure 1 shows the responses (the larger the word, the higher the frequency), and further emphasises the findings from the desk research, that insurance is not a purchase that is entered into enthusiastically by the consumer. Given that many people find the process of buying their main insurance stressful already, they may be less receptive to buying an additional insurance product when prompted later on.

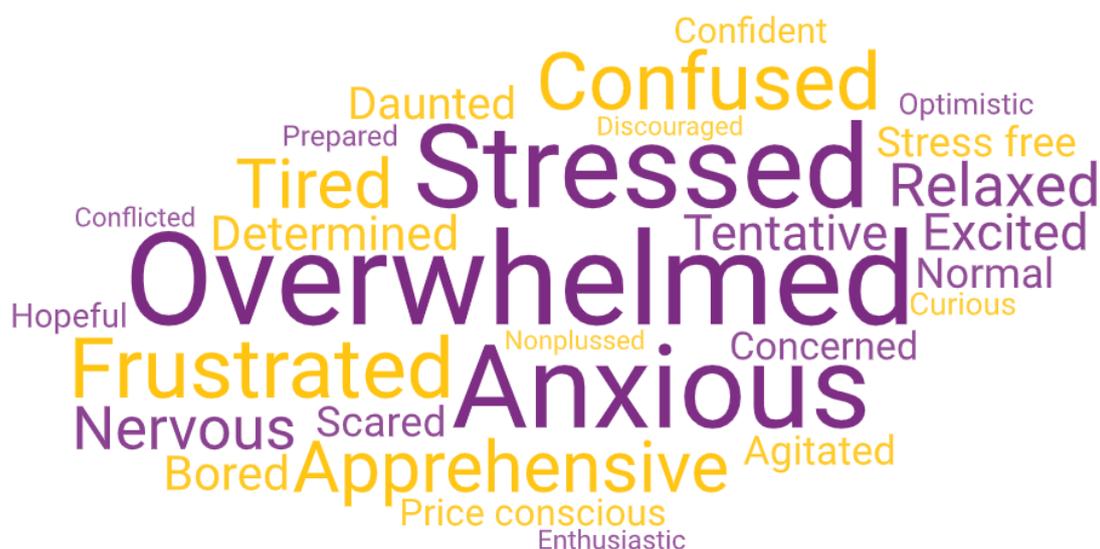


Figure 1: Word cloud showing responses to the online forum question: 'Before I begin [buying insurance] I feel...'

4.1.3 Attitudes towards add on purchases.

As part of the research process, in order to ensure that it was fresh in people's minds, participants were asked to replicate the experience of buying a home insurance policy, via a basic mocked-up comparison website, and given the option to buy LEI at the same point as they would in the real purchasing journey³.

At this stage, attitudes towards add-ons when buying insurance were explicitly explored. A number of participants felt that these were simply an additional 'money spinner', designed purely to bump up the cost of the policy, while others liked the fact that they were given the choice of whether or not to add these.

"They are just the tricks to get extra costs added to the insurance policy price."
Female, 35-54, South of England, AB, No LEI

"It's good I can decide whether I want it or not. Some of the add-ons are important to have."
Male, 25-34, South of England, DE, No LEI

³ Based on replicating the process and questions applied on the Compare the Market site.



A few participants expressed concerns that they might find themselves duplicating cover when buying LEI as an add-on, for example, unwittingly buying it on two separate policies.

“I have added-on legal assistance cover to car insurance before. I’m usually wary and can get stressed about how many add-ons there are and whether I really need them. I think there is a danger of buying add-ons with different policies that can end up meaning you’re covered for the same thing twice. These decisions are hard when you’re on a tight budget but weighing up the risks.”
Female, 35-54, South of England, DE, Has LEI

“They lead to a tendency to say 'yes' to everything. A check through details of other insurance policies may well show that things being accepted are covered elsewhere anyway.” Male, 75+, Wales, AB, Has LEI

4.1.4 Attitudes towards risk of / experience of legal disputes

Participants were asked a series of three questions:

- Whether they had experienced any from a list of possible legal disputes;
- Whether they thought there was a high, medium or low risk of this type of situation happening to them in the future;
- If this type of situation were to arise, the likelihood of them seeking legal support.

These questions, and the results that follow in this section, were designed to provide context for the overall findings.

Experience of legal disputes

Most participants had experienced some kind of dispute situation in their past lives (although around a quarter had not), with the most common being ‘an unfair or contested parking ticket’, and ‘a dispute about a faulty item or bad service I have spent money on’, as shown in Figure 2 overleaf. The only situation that none of the participants had experienced before was ‘being unfairly evicted from your home / being repossessed’. Although the majority of participants had only experienced one dispute situation previously, a large minority had experienced two or more.





Figure 2: Chart showing responses to the online forum question 'Which, if any, of the following dispute situations have you personally experienced?'

Participants who had experienced a dispute situation were asked what they did about it. Most people had simply dealt with it themselves, for example, complaining directly to the other party, and a small number had simply cut their losses. Only a handful of people had used legal support to address the issue; of these, one accessed this through insurers and the others had come through trade unions or had been appointed directly by the consumer.

"I had to seek union representation for a work situation in which I was being treated unfairly and with my union membership came legal advice and representation. I was grateful I had legal cover included in my car insurance when I was in a car accident that wasn't my fault and needed legal representation to make sure I wasn't left in debt after months of treatment for my injuries."
Female, 35-54, South of England, DE, Has LEI

Those who claimed not to have experienced a dispute situation were asked what they would do if they did. Around half spontaneously said they would expect to use legal support, if they were not able to resolve it via other means, with many assuming that they would be able to access legal advice for free. The other source of support mentioned several times was Citizens Advice.

"I would first see if I could resolve the matter with the person, organisation or company involved. If it wasn't resolved, I would get some free advice from CAB,



or similar organisation and if that failed, I would seek legal advice if I thought it was worth doing so." Male, 35-54, North of England, C1C2, No LEI

Perceived risk of dispute situations

Participants were asked to say how likely they thought it was that they would experience each of the dispute situations in the future. The scenario that people thought would be most likely to happen to them was 'a dispute about a faulty item or bad service I have spent money on'; around half of participants thought that there was a high risk of this happening to them in the future.

Participants were least likely to expect to be unfairly evicted from their home or have their home repossessed. Figure 3 shows the different scenarios and the perceived likelihood of them happening. There was little difference between those who did and those who did not have LEI, although those who did not have LEI were slightly more likely to associate a low risk to most of the dispute situations.

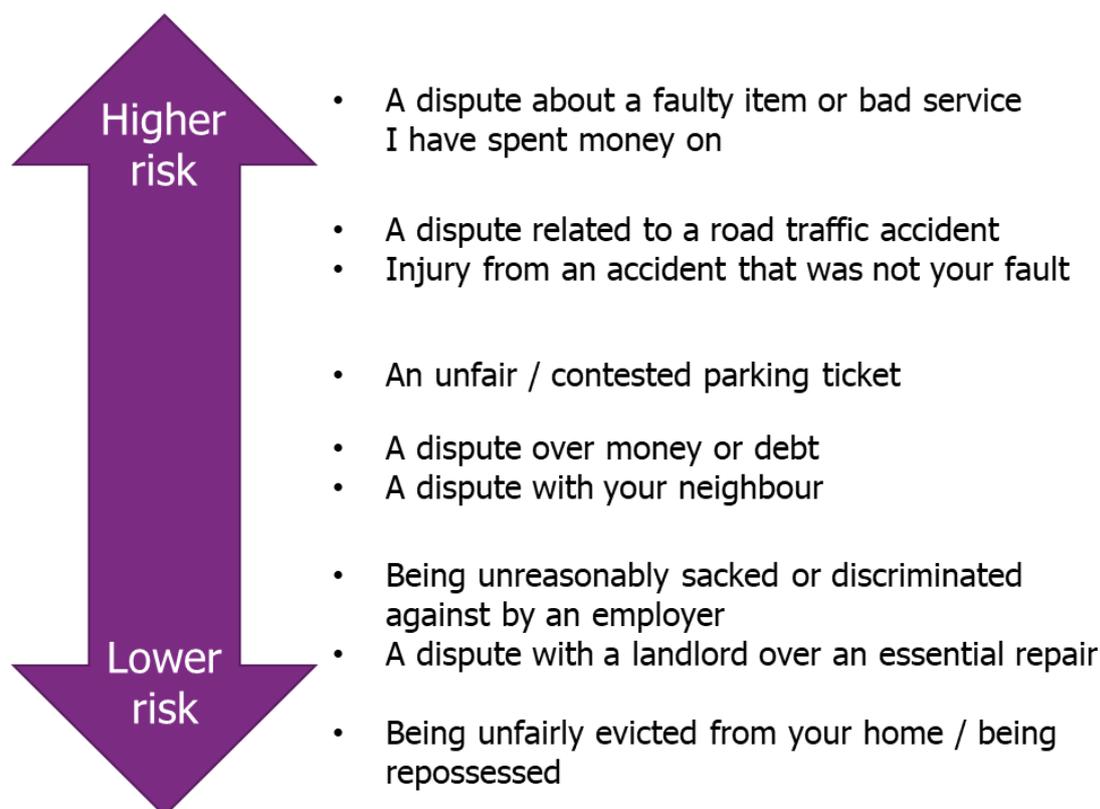


Figure 3: Summary of responses to the online forum question 'Please move the [dispute situation] cards below according to how great a risk you consider these things to be for you in the future.'

In comparison to these expectations, the LSB's own research⁴ shows that the legal dispute situations most commonly experienced by consumers are: a defective good/service or professional; anti-social behaviour by neighbours; and problems with

⁴<https://legalservicesboard.org.uk/wp-content/uploads/2020/01/Legal-Needs-of-Individuals-Technical-Report-Final-January-2020.pdf>



employer. While most participants thought that there was a high risk of them experiencing a dispute about a faulty item or service, most assumed that there was less chance of disputes with neighbours or problems with employers.

In many cases, people's perceptions of a situation being likely to happen to them did not align to the actuality of it having happened across the sample. For example, a similar proportion of people in the sample (around one in four) had experienced a dispute over a faulty item as an unfair parking ticket; however, people were far more likely to think there was a high risk of the former happening than the latter. It is clear from behavioural science that experience of a risk leads to increased perceptions of it happening again, so intuitively this seems an odd result. However, this may be because receiving a parking ticket is seen as something that, to some extent, one can control and avoid (by being more careful about reading parking restrictions etc.) Receiving faulty goods/poor service, on the other hand, is out of one's own control.

Likelihood of seeking legal support

Participants were asked how likely they would be to get legal support should any of the dispute situations happen to them. As shown in Figure 4, the situations that people thought they would be most likely to get legal support for were:

- an injury from an accident that was not their fault; and
- a dispute related to a road traffic accident.

Situations they thought they would be less likely to get legal support for included a dispute with a neighbour; an unfair or contested parking ticket; a dispute with a landlord over an essential repair; and a dispute over a faulty item or bad service. It is worth noting that (other than dispute with a landlord), these are also the scenarios that participants were most likely to have actually experienced. Given that most people said that they had dealt with these situations themselves, without seeking external recourse, it is perhaps unsurprising that they would not think it likely they would seek legal support in these circumstances.





Figure 4: Chart showing responses to the online forum question 'For each of the following if they were to happen in your life, how likely do you think you would be to get legal support?'

Access to legal support

Participants were asked how they would access legal support if they needed it, and how they would cover the costs. [Please note, at this stage in the research, participants had not been explicitly asked if they had LEI.]

The main ways in which people said they would access legal support would be from getting advice from friends / family; talking to a solicitor (when they had an existing relationship with one); searching online; or talking to Citizens Advice. A handful of participants talked about getting legal support through their insurance.

"I would ask for recommendations from family and friends first and then start a Google search and research from there." Female, 35-54, North of England, C1C2, No LEI

"I would get it from my insurance company. Most insurances give you this service free of charge, so always take it, you never know what can happen." Female, 55-74, South of England, DE, has LEI

When asked how they would afford to cover the cost of any legal support required, there were a range of responses. Those who did not have legal cover mainly assumed that it would have to come out of their savings or by using credit cards or taking out a loan, although some hoped that they would be able to get Legal Aid. A few



participants felt that they would be very unlikely to be able to afford to pay for legal support at all.

“I wouldn’t contest something if I didn’t think I had a good case. I would have a cap on spending that would be no more than 50% of any savings I had. If it was a big case there is a chance I’d have to move and use some of the equity in my house which would be a last resort.” Female, 55-74, North of England, C1C2, No LEI

“Legal help can be quite expensive and so I would look for every possible way to avoid it. However, if I did have to get it, I should think that the combined spending power of my family would be able to cover it.” Male, 18-24, South of England, C1C2, No LEI

Although some of those who had LEI said that their costs would be met by their insurance, this was not the case for everyone – many were unsure what would and would not be covered, and it did not seem to be top of mind for others.

“I know to my costs that legal support is very expensive and would hope I would be covered by my legal services insurance cover.” Male, 55-74, North of England, AB, Has LEI

“I think I would have to see if I qualified for any assistance in my situation but wouldn’t have much confidence.” Female, 35-54, South of England, DE, Has LEI

“I’m not sure how I would cover the costs, but if I thought I had a very strong case I would possibly use some money from my savings along with loans from family and friends and would look into whether I would qualify for Legal Aid.” Female, 18-24, South of England, DE, Has LEI

Participants were also asked specifically whether they thought they would be able to get legal support from a prompted list of sources. Over half said they thought they would be able to get legal cover through their insurance; however, many of these people later said that they did not have LEI. This possibly indicates the extent of confusion surrounding these policies; or that (whilst not currently holding a policy) people were aware of this as a possible future route for legal support.

4.2 Spontaneous views of LEI

4.2.1 Awareness / understanding of LEI (before LEI was explained)

In the exercise asking participants to replicate the process of purchasing home insurance, where they had the option of buying LEI as an add-on, just over half (25 of the 46) chose to take it. (Participants did not know at this stage of the process that this was the focus of the research.) This did not match exactly with the proportions who actually had LEI, although most of those who did have it in real life chose to do so in this exercise and vice versa.



Participants were asked what they thought would be covered as part of the legal assistance add-on option. Responses to this question were often vague, indicating that many did not have a thorough understanding of what they would be purchasing, and some people admitted that they simply did not know. There was generally an assumption that the cover would only relate to legal issues associated with the home.

"I can't say for certain! If someone tries to claim against you when they were injured in your property possibly. Moving help?" Female, 35-54, Wales, DE, No LEI

"Maybe someone could come around to your house and assist you with any issues with neighbours etc?" Female, 25-34, Wales, DE, No LEI

"If you are attacked while being burgled and injured you may need a lawyer." Male, 55-74, Midlands, C1C2, Has LEI

4.2.2 Attitudes towards LEI (before LEI was explained)

Spontaneous attitudes towards LEI at this early stage in the research (before information was provided) varied considerably across the sample, from those who thought of it as an important and worthwhile purchase, to those who thought it a waste of money. Unsurprisingly these attitudes broadly correlated with whether or not participants have LEI; those who do are more positive about it as a product. (When people were given more information later in the research, the attitudes of some of those who did not have it shifted and they became more positive.)

"I could have an issue where I need legal advice and/or assistance and it's definitely worth adding it onto my insurance cover." Female, 35-54, Wales, AB, Has LEI

"I always add it if it's free or a reasonable charge. I suppose really just makes me feel safer adding it." Male, 35-54, South of England, C1C2, Has LEI

"I have never claimed anything and have certainly not been in a position where I would need legal cover. Seems like a waste of my money." Female, 35-54, North of England, C1C2, No LEI

"I always feel that the cover which is stated on the policy would never match the possible need if it came to be that legal cover was needed. I always feel the insurance companies are trying to get as much as they can and when push comes to shove, do everything possible to pay out as little as possible. From articles I've read and friends who have experienced this with their insurance cover they have always seemed to almost have to fight to get adequate pay outs." Female, 75+, North of England, C1C2, No LEI

Some participants acknowledged that they had little knowledge or understanding of what LEI actually was, and many admitted that they found it confusing to work out whether or not to add it to their policy.



"I do not have it as I have never heard of it before this, but I think it would be too expensive for me." Male, 35-54, North of England, DE, No LEI

"Sometimes I feel like you have no option but to buy add-ons to get full coverage. Sometimes they are confusing and I do not fully understand them." Female, 18-24, Midlands, C1C2, No LEI

4.2.3 Perceptions of cost (before LEI was explained)

Those who did not have LEI were asked, from a menu of options, how much they expected LEI to cost.

Only four of the twenty-four who did not have LEI were in the right ballpark with their cost estimate (£20-£29 a year) and the majority thought it was more expensive, with over a third thinking it was £50 or more per year (and three people thinking it would cost more than £150).

As outlined later in this report, perceived cost is one of the main barriers to purchase, but these findings suggest that the cost barrier is likely to be based on misapprehensions about the degree of expense involved.

Participants were then asked how affordable this amount was for them. Most of those who said that the sum was not affordable had assumed that the cost was £50 a year or higher.

4.3 Use and understanding of LEI

Amongst the 46 participants, 19 said that they had LEI cover, 24 said that they did not, and 3 were unsure. (Please note that as part of the recruitment criteria, a minimum quota was set to ensure that at least ten participants had LEI.) An additional two participants in the forum said that they had legal cover from another place (such as motoring clubs, union membership, professional association membership).

4.3.1 Drivers for LEI

Amongst those who do have LEI, there were two main reasons for having chosen it; these tie in with people's reasons for buying insurance overall:

- For peace of mind; and / or
- Because the participant had (or knew someone who had) needed legal cover in the past, and so had first-hand experience of its value.

A small number also mentioned the fact that it was a relatively low-cost purchase which added to its appeal.

"I think that it's better to have it and not need it. It is good value (if you use it) and if I didn't have it, having to pay for a solicitor would be more costly." Female, 35-54, Midlands, C1C2, Has LEI



"For peace of mind. I can remember many years ago a colleague, who didn't have legal cover, was in an accident and she couldn't afford to pursue a claim as she had no legal cover. Whilst I am very cautious about add-ons, legal cover is always a necessity for me as you never know what could happen and when you may need it." Female, 35-54, Wales, AB, Has LEI

"Few years back I had some problem with motor insurance where I had to claim which was not my mistake and was lucky to have LEI so that all the expenses were covered. So, from then we make sure that LEI is always covered so that we can be secured." Female, 35-54, South of England, AB, Has LEI

Some participants, even though they didn't currently have LEI, could see a role for it in the future if there was potential for a higher likelihood of disputes.

"Could be useful if you expect situations with the potential for conflict in the near future e.g., planning a house move or major refurb or extension to existing home etc." Female, 55-74, South of England, C1C2, No LEI

"It depends on a number of things. Say I lived an area where I know that there might be flooding or if I was the only person of colour at my work place, then I think that it would be worth taking up." Female, 18-24, Midlands, AB, Unsure if has LEI cover

4.3.2 Barriers to LEI take up

Amongst those who do not currently have LEI, there were a number of reasons for this, many of which overlapped:

- Not seeing the relevance of it in their lives – many thought they would be unlikely to ever have the need to use it;
"I also feel when would I need it? It's so unlikely, it seems daft to be paying every year for it." Female, 35-54, Wales, DE, No LEI
- Finding it unaffordable (albeit, as shown previously, this may have been based on a false assumption about the cost);
"I didn't choose it because it made my insurance go up and car insurance is expensive for people my age already." Female, 25-34, Wales, DE, No LEI
- A lack of trust in the product and whether or not the insurer would actually pay out in practice (as is a common concern in relation to insurance products more generally);
"I see it as an add-on service for insurance companies to boost their profits. They offer basic legal advice as a part of the policy but when a person requires a comprehensive legal assistance they will be left with a huge additional bill. In my opinion it is not worth having." Female, 35-54, South of England, AB, No LEI
- Not understanding what it was or what it covered;



“I have never used this service as I didn’t really understand what it was.” Male, 35-54, South of England, DE, No LEI

Although the above barriers were the most commonly provided by participants when explicitly asked why they did not have LEI (i.e., their post-rationalising thoughts) the responses given in the earlier simulation task suggest that there are other factors in play. As discussed earlier, many simply instinctively dismissed add-ons out of hand as unnecessary additional expenses, seeing them as ways for insurance companies to make more money. Most people were buying their insurance through comparison websites in an effort to find the best value cover, and some were annoyed at the fact that the costs went up at this stage in the process. As shown above, most people had little idea of the actual cost of LEI; rather, it was the principle of paying more that they objected to.

“[The insurance companies] sometimes try to tempt you to buy extras you do not really need.” Male, 55-74, North of England, DE, No LEI

“It makes me frustrated as you can think you're getting a good deal but have to add lots of add-ons on top of it which ends up costing more money.” Female, 18-24, South of England, DE, Has LEI

It was also clear from people’s responses about how they feel about buying insurance that they find it a stressful and confusing process, which may also mean that decisions are not purely rational but rather influenced by this emotion and the desire to expedite the purchasing process, without taking time to consider and understand add-on elements, the value of which is not immediately obvious.

4.3.3 Understanding of LEI

Participants had a mixed understanding of what was covered by LEI. Amongst those who had it, most assumed that the cover related only to legal issues connected to the type of insurance – for example, anything associated with housing with home insurance, or driving with car insurance.

“[The main issues I expect LEI to cover are] neighbour disputes, action taken against me from a building perspective. Disputes over the cause of a RTA.” Female, 35-54, North of England, DE, Has LEI

“I didn't feel they [add-ons] were absolutely necessary as the likelihood of me having a household accident that required legal assistance is quite small.” Male, 18-24, South of England, C1C2, No LEI

Some admitted that they were not sure what was covered by their LEI.

“I would hope it covers the main issues someone may have but to be honest I've never really looked into the details.” Male, 35-54, South of England, C1C2, Has LEI



Amongst those who did not have LEI, some similarly assumed that LEI covered any issues relating to the home or vehicle.

“I guess it depends on where you’re getting the cover from. If it's car insurance legal cover I would expect them to litigate any issues relating to a car accident etc.” Female, 35-54, North of England, C1C2, No LEI

Again, a number of participants admitted that they did not know what it covered.

Some of the more sceptical participants felt that regardless of what a policy claimed, it would be unlikely to cover very much at all.

“I would almost guarantee that it would turn out to not cover anything.” Male, 55-74, Wales, AB, No LEI

4.4 Informed views of LEI

4.4.1 Response to information

Participants were shown a [video](#) that provided them with an explanation of LEI, how it works, and conditions that come with it, and asked their thoughts on various elements of the information it contained.

While some participants said that they were already aware of the information provided, many (including both those with and without LEI cover) said that they found the information surprising. The main points that people took away were:

- LEI was cheaper than they had expected.
“I found the price really surprising as I assumed it would cost a lot more for the cover.” Male, 35-54, North of England, DE, No LEI
- LEI covered more types of disputes and offered a wider range of legal services than they had realised.

“I was really surprised that they offer so many services like legal document templates and people to check over documents for you. I thought LEI would just be legal advice to do with any disputes with your house, I didn't realise you could get so much legal support for many different areas in your life, not just to do with your house.” Female, 18-24, South of England, DE, Has LEI

“I found it surprising that issues such as employment disputes were covered as I understood the insurance would just cover issues related to the insurance purchased.” Female, 35-54, North of England, DE, Has LEI

“It was a pleasant surprise, that there are several ways to contact legal support (telephone or in person), and I have access to templates and online document reviews.” Male, 35-54, South of England, DE, No LEI



By and large, the information left most participants feeling more positive about the idea of LEI. Most said that they would be more inclined to purchase it having seen the video and learnt more about what it actually was.

"I would be much more likely to purchase it now it has been explained in a clear and easy to understand way and also because I could afford this price." Male, 35-54, North of England, DE, No LEI

"I would consider looking into this now I understand it more as I was unsure what it was previously and assumed it cost a lot." Female, 18-24, North of England, C1C2, No LEI

4.4.2 Perceived value for money (after LEI was explained)

Having been told the average cover price, most participants felt that the cost of LEI was low, considering the potential sums it could save further down the line. Even though they might be unlikely to use it, in the grand scheme of things it was not considered a large sum – and if they did have to use it, then it would definitely be worthwhile. Some felt that they were essentially paying a nominal amount of money for the peace of mind the cover provided.

"It's a negligible amount of money and it has the potential to provide excellent value simply because legal support is expensive." Female, 35-54, Midlands, AB, No LEI

"For an extra couple of pounds a month you can get huge reassurance." Female, 35-54, South of England, C1C2, Has LEI

"It's a Catch 22 situation like all insurance – if you require it, then it represents good value." Male, 55-74, North of England, DE, No LEI

4.4.3 What appeals (after LEI was explained)

Having been provided with this additional information, participants considered LEI to be appealing for the following reasons (many of which mirror those given spontaneously):

- The peace of mind and comfort it provides.
 - Even if they don't need to use it, knowing it is there as a safety net is reassuring. Participants appreciated the fact that not only would the high costs of legal services be met, but that they would also receive help in accessing legal support e.g. a legal advice line, or having a lawyer found for them.
- The broad overall package.
 - Participants felt that LEI offered a lot, both in terms of covering a wide range of disputes, and providing other services such as legal document templates, and legal helplines.
- Greater opportunity to address legal disputes.



- A few participants felt that LEI gave people the chance to address legal disputes that they might otherwise have had to write off due to lack of funds and/or legal knowledge. A couple of participants highlighted the fact that it was harder to access Legal Aid these days, and therefore LEI might be the only recourse available to people on lower incomes.
- Low cost.
- Finally, the fact that the overall cost is relatively low was considered an additional benefit.

"I don't add it onto my insurance thinking that I'll need it, but it's good to know that I'm covered just in case." Female, 18-24, South of England, DE, Has LEI

"For a small annual cost you are basically covered for a whole year and you may not use the facility but it being there can be reassuring." Male, 25-34, North of England, AB, Unsure if has LEI cover

"Most insurers that provide legal expenses cover offer 24-hour legal advice helplines. This can prove extremely useful if you want points of law clarified so you can approach an individual or organisation from an informed point of view, possibly even helping to prevent full legal action from being necessary." Male, 25-34, North of England, AB, Has LEI

"It gives peace of mind and added protection. It's good to know that you have access to legal help without paying £100+ per hour for the privilege. It's versatile and not just linked to the type of insurance you've taken out. Employment issues are common and this would cover those who don't have it through their union at potentially a lower price." Female, 55-74, North of England, C1C2, No LEI

4.4.4 Barriers (after LEI was explained)

Participants were asked what they thought the main barriers were to more people taking up LEI. The key barrier that people thought would apply to other consumers is a lack of awareness and understanding of what LEI actually is, a finding supported by the previous research into LEI highlighted in the rapid evidence review.

Participants thought that people would simply see it as adding to the overall cost of their insurance without realising the potential benefits, and therefore choose not to buy it as a result. Some noted that the fact it was sold as an add-on reinforced those perceptions; they were aware that these extras were often dismissed out of hand by consumers. They felt that this lack of knowledge coupled with people's desire to ignore the add-ons would result in people not purchasing LEI – not because they were proactively choosing not to buy it, but because they were automatically disregarding extras that they do not understand and that bump up their overall premium. Again, the literature supports the idea that people make purchasing decisions primarily based on cost and may therefore choose to ignore add-ons in order to keep premiums low.



"A lack of knowledge and understanding of the product. In most of the insurance offers I've seen where LEI is an add-on there's virtually no detailed information provided. It's become something of a skip over tick." Male, 75+, Wales, AB, Has LEI

"Somehow the idea of it just being another upsell has to be overcome as for me it's become very automatic to just say no to anything like that, almost in a blinkered way." Female, 55-74, North of England, C1C2, No LEI

"The main barrier is lack of awareness. It is sold as an add-on to or bundled with other insurance products, but there is no description about its cover and benefits BEFORE it is added. Insurance is highly price-sensitive to many, and paying an extra £25-£30 is a tough decision if you don't know why you should." Male, 55-74, North of England, AB, Has LEI

"I suspect the majority of people are not really aware of LEI because they automatically click opt out on insurance extras." Female, 35-54, Wales, DE, No LEI

Further reinforcing what many people said spontaneously, the other main features of LEI that participants found off-putting were:

- Paying for something they did not expect to use.
 - Many participants, particularly those who had never encountered a legal dispute previously, felt that it was unlikely that they would need legal support in the future. They could not see the value in paying for something that they did not consider relevant to them. This ties in with the rapid evidence review which showed that people tend to make judgements on risk based on their own lived experiences. As shown earlier, even those who did have experience of disputes tended to have handled them themselves, potentially further reinforcing this view that they would not need legal support.
- The assumption that even if they did have a legal dispute, LEI would not pay out.
 - A few participants were sceptical of insurance providers and assumed that they would try to get out of paying up – for example, by only taking on cases that they were sure of winning.
- The cost.
 - Even though most agreed that it was relatively low, some still felt that LEI as an add-on was an expense that not everyone would be able to afford.

"I do not feel that LEI offers any benefit at all, I have lived 72 years and have never had a need for it. It is just a means for insurance companies to increase their profitability... The whole concept is flawed. Even if you have LEI the chances are that you will still be refused the service unless the dispute is 100% certain to be resolved in your favour." Male, 55-74, Wales, AB, No LEI



"I guess I'm always very wary of small print and loopholes these days and it is a concern that you could pay for something in good faith but then not be covered."
Female, 35-54, South of England, DE, Has LEI

"The cost. To me it may not be much but to others it may be a lot. But even to me, depending on my total expenses they may be occasions when even I won't take it up." Male, 35-54, South of England, C1C2, Has LEI

4.4.5 Participants' suggestions to encourage take-up

Most participants struggled to identify any concrete ways to encourage take-up. Although some suggested lowering the cost, most felt that the cost was not prohibitively high in the grand scheme of things. The main reason people thought that take-up was low was because of a lack of awareness about what LEI was and what it covered.

Participants felt that insurers should provide more information about what LEI is and what it covers, both generally and at the point of purchase. (Behavioural research however, shows that people have limited attention spans and any information not central to their purchasing decision tends to be overlooked, indicating that information may need to be given prior to, rather than at the point of, purchase.)

"I think insurance companies should make much more of an effort to explain to people what LEI is and why it's important, rather than leaving it as an add-on that some people might just ignore." Female, 18-24, South of England, DE, Has LEI

Some participants felt that they would be more open to buying LEI at specific points in their lives, for example, if they were making any significant life changes. Such occasions could be a good opportunity to inform people about the product.

"I'd be more inclined to take it up in a period when I hoped to have a major change such as house move, so I had some protection against unexpected events relating to house sale / purchase." Female, 55-74, South of England, C1C2, No LEI

It was important that any information provided was jargon-free so that people could understand exactly what they were purchasing. Participants also thought it would be helpful if examples of the types of disputes covered by LEI were shown so that people could better understand the potential benefits of taking out cover.

"Information needs to be clear and simple enough for the average person to understand. It would perhaps help if there were some real customer stories included in the advertising that people could relate to." Female, 35-54, Midlands, AB, No LEI

A number of people identified the video used in the research as a good example of the sort of information that needed to be shared with consumers. One of the aspects



they liked about it was that it was transparent and talked about both the positives and negatives of LEI. It was felt that this balance made it more trustworthy.

"[The video] breaks down each section and explains it clearly whilst using visual aids to further illustrate their points. I think it is important that insurers are upfront and transparent about scenarios in which a person may not be able to claim LEI." Male, 18-24, South of England, C1C2, No LEI

There was a sense amongst some participants that people's lack of understanding and knowledge about LEI was reflective of a wider lack of knowledge and understanding about insurance at a more general level, and that more should be done to educate consumers more broadly.

"I honestly think things like this should be taught in school! You leave school and enter the world of adulthood completely unprepared for the financial world!" Female, 25-34, South of England, DE, No LEI

"At school/university you are never taught these types of things and for many of us it is a case of learning as you go. I may have gone many years ignoring the LEI option as I did not understand it and believed add-ons were just a way of an insurance company just wanting you to pay more money." Female, 18-24, Midlands, C1C2, No LEI

There was a mixed response to the idea of LEI being sold as a standalone product as opposed to an add-on. Some could see the benefit of this – they thought that people were often suspicious of add-ons and deliberately ignored them. It also made sense to provide the option separately to those who would not be able to access legal cover via another insurance policy. There was general agreement that any price differential would need to be very minimal.

"I believe that hiding the offer of cover amongst the many bolt-ons of motor or household insurance dilutes its importance in the eyes of the enquirer." Male, 75+, Wales, AB, Has LEI

"Sometimes people overlook add-ons, or maybe don't trust them. If the price was right, I think a lot of people would take it on. I would." Female, 55-74, Midlands, C1C2, No LEI

"As someone without car or home insurance I wouldn't buy a car or home insurance policy so wouldn't have access to LEI." Female, 18-24, North of England, C1C2, No LEI

However, others thought it would be better to keep LEI as an add-on. They thought it unlikely that people would seek it out separately, especially if the cost went up as a result.

"I don't think this would help. People would need to be actively looking for it to then click on any website and sign up. Whereas when it's on a normal insurance



policy it's just there to choose. People will see it and be aware regardless.”
Female, 35-54, Wales, DE, No LEI

“I think an add-on is a great way to sell LEI, especially as it could keep the cover at a cheaper price. I feel less people would take up LEI if it was a separate purchase.” Male, 35-54, South of England, DE, No LEI

4.5 Specific features of LEI

Participants were given an explanation of some of the conditions relating to LEI and asked for their views on these. The following explanation was provided:

“There's no guarantee legal insurance will cover your claim in every circumstance.

LEI doesn't operate in the same way as a dispute would if you instructed your own lawyer and paid them directly.

Contacting your insurer to make a claim won't guarantee you get a lawyer to pursue your case. For a claim to be taken up, your insurer must be satisfied that you have a reasonable or better-than-average chance of winning your case at any time, not just when the claim is first raised.

*The other thing that is different from when you appoint your own lawyer is that **you may not get to choose your lawyer.** Insurers usually work with a panel of lawyers and they will appoint one to your case. You may have the right to select your own solicitor once a case is underway. However, some insurers have clauses that limit the hourly rate they pay their panel solicitors (which is likely to be lower than the rate you might be asked to pay if appointing your own solicitor).”*

4.5.1 Reasonable prospect of success

Response to the concept of ‘reasonable prospect of success’ was mixed across the sample. For most participants this made sense, and indeed they considered it an additional bonus that a case would not be pursued unless it had a decent chance. They found it reassuring that someone else would decide whether or not it was worth starting legal proceedings and save them the hassle.

“This wouldn't really matter to me and I think this is a good idea, as if I wouldn't have much chance of success I'd rather not have to go through the stress of a legal dispute and wouldn't take the matter further.” Female, 18-24, South of England, DE, Has LEI

“I would know at the beginning if there is a chance to win in my situation. I think is a good idea.” Female, 35-54, Midlands, C1C2, Has LEI

Some participants found this very off-putting however – they thought that this gave the insurance company an opportunity to get out of providing the service that had been paid for and ran the risk of further eroding trust in the product. For them, it



reinforced perceptions of insurers being unlikely to actually pay out in the event of a claim. They wanted reassurance that there would be some course of action available to consumers, should the insurer decide that the claim was not worth it, if the consumer still wanted to pursue it, for example, some kind of independent arbiter.

“Of course it matters, what is the point of paying for a policy that the insurer can say ‘sorry you are not covered’ and you cannot do anything about it?” Male, 55-74, Wales, AB, No LEI

“The 51% does matter to me. If solicitors accepted only those cases with a 51%+ likelihood of success, the underdog would never win, and their job could easily be done, much more cost-effectively and time-efficiently using AI-powered robotic process automation! Sometimes, on the face of it a case might appear to favour the other ‘side’, but the reality becomes clear during the case, and the chances of success improve if a solicitor applies the right pressure to the other side. In my opinion, the 51% reasonable prospect test is lazy and many cases are not progressed as a result, meaning justice is not served.” Male, 55-74, North of England, AB, Has LEI

“Please ensure the legal representatives offering services under LEI cover are strongly regulated and held accountable so that people on lower and middle incomes don’t just get dropped when they have paid out for representation for such eventualities in good faith. The customer needs to know they have some backing when they have paid for these services and an independent body to go to if they feel let down or abandoned at a potentially really stressful, difficult time.” Female, 35-54, South of England, DE, No LEI

4.5.2 Insurer appoints lawyer.

Similarly, participants’ views were mixed when it came to the idea of having the insurer appoint a lawyer on the policyholder’s behalf. For most, this was simply not a problem; in fact they welcomed the idea of someone else doing the hard work of finding a suitable lawyer for them. As long as they were provided with a competent lawyer, they did not see why it would matter that someone else had chosen them (although some did feel that they should have the option to change lawyer if need be). They also thought the insurance company would be better placed to appoint a lawyer with expertise in the particular area of dispute.

“I think it would be better for them to choose my lawyer as it would save me a lot of time having to try and find my own. It wouldn't matter to me as long as the lawyer is competent and willing to help.” Female, 18-24, South of England, DE, Has LEI

“I really don't care who my solicitor is as long as he knows his job and can fight for me.” Male, 25-34, North of England, AB, Unsure if has LEI



However, a minority were put off by this. They assumed that the insurance company would be trying to keep costs down and as a result, the lawyers appointed might be more junior and / or lower quality. They also expressed concerns that the lawyers would be acting in the interests of the insurance company rather than the policyholder, and as such, might not take the action they would want.

“It is very important to know this as I would like to have my own solicitor representing my case not overworked legal aid who has so many cases that they are not fully engaged to fight my corner. And if I want my own solicitor I’ll have to pay for hourly rate. Having a strong competent solicitor is the essence of any legal process and taking that ability to choose my own solicitor puts me off buying LEI.” Female, 35-54, South of England, AB, No LEI

“Some people may feel that the lawyer is biased and affiliated with the insurance company.” Female, 35-54, Wales, AB, Has LEI

Although none of the participants raised this as an issue for them personally, a number thought that consumers with existing relationships with lawyers would dislike this aspect of LEI.

“That wouldn't bother me as I wouldn't have a clue where to start. But for someone that has more understanding they might want to choose their own so maybe allow them to appoint one for themselves at a lower cost.” Female, 35-54, South of England, DE, No LEI



5. Conclusions

The research shows that once people are given more information on LEI, they generally find it appealing. They think it represents good value for money (it is cheaper than they expect) and covers a broader range of legal issues than they previously had assumed. Given this is the case, the way to increase take up of LEI may be to address the low levels of awareness and understanding.

The research also highlights that, to do this successfully, thought would need to be given as to when people would be most receptive to receiving information about LEI. This would not likely be at the point of sale when we know people have limited attentions and tend to disregard information they deem to be non-essential to the central purchase. People tend to review their finances, including insurance cover, with big life changes (for example, new jobs, getting married, having children, buying a new home etc.) so communicating information on LEI and its benefits at these points would potentially be when people would pay the most attention and may also have a greater aversion to certain risks – which could include legal disputes.

An additional barrier to the purchase of LEI is a lack of trust in insurance firms at a more general level, for example, scepticism over whether insurers will honour claims, as well as specific aspects of LEI that can provoke suspicion, for example, reasonable prospect of success. While this limitation will remain, there may be things that insurers can do to build trust and this will need to be considered alongside awareness raising.

Although standalone LEI products are not appealing to many consumers (or the insurance industry), there are clearly some drawbacks to LEI being sold as an add-on. People already report feeling stressed and anxious when purchasing insurance and add-ons can be viewed negatively as a result of the overall purchasing experience. This again, supports the need for general awareness and understanding of LEI as a product to be increased but at a time when the consumer is not actively engaged in the purchasing process.

The research indicates that the types of instances people are most likely to have experienced are relatively minor (for example, faulty goods and unfair parking fines). Their experience is not negative enough for them to feel it is worth covering with insurance as the outcome is a small financial loss or annoyance rather than a large loss. They may therefore not wish to go through the cost and effort of pursuing a legal case in these instances and feel happy and confident to resolve such disputes themselves.

These people may also feel that the disputes that have a greater associated loss (for example, being evicted or employment disputes) are not likely to happen to them as they have no direct experience or knowledge of experience amongst anyone they know. Behavioural science literature tells us that people often make judgements on risk based on experience; therefore if they have no experience they tend to underestimate the risk of it happening. When considering this group of consumers, it



may be better to highlight that LEI includes access to templates and helplines which they may find more relevant and helpful in supporting and resolving these more minor issues without needing to appoint a solicitor and make a claim.



6. Appendices

6.1 Rapid evidence review

Insurance Market Rapid Evidence Review February 2021

1. Findings from Behavioural Science

What we know about the psychological biases that influence how and why people purchase insurance should be an important consideration in the design and analysis of the LEI research among consumers.

Behavioural economics literature has shown that individuals do not always act according to traditional economic theory when it comes to gathering and processing information to reach a rational decision. There are a number of psychological shortcuts – heuristics or biases - that we consistently use to enable us to make decisions that often mean we make irrational or sub-optimal decisions.

Insurance is an interesting product in that it is, in essence, a promise to pay-out to cover a loss on an uncertain future event. The financial loss to the consumer is immediate but they have to judge that this loss is beneficial/necessary to off-set the future risk – which may in reality be small – of a much greater financial loss in the future. The products themselves stand or fall on **the trust that the buyers have in the promise** to pay should the event occur. Often this means it is a 'grudge' purchase – so not something that is entered into enthusiastically by the consumer and they would rather spend the money on an alternative with immediate gratification.

Research into how we buy insurance has shown there are a number of biases at play when we are accessing and assessing information on insurance, as well as influencing our decisions around whether to purchase insurance at all.

Behavioural biases impacting the way consumers access information on insurance include:

- **Limited attention** – consumers have limited time to focus on decisions and tend to opt for seemingly less complex decision. Products that grab our attention by being more salient and perhaps easier to judge, are more likely to be purchased e.g. holiday cancellation insurance when booking a holiday vs. home contents insurance. The risk is easier to evaluate and more salient at the point of booking a holiday. Home content insurance may be more important but more effortful to evaluate.
- **Framing** – how information is presented has been shown to have an effect on what information is searched for and how it is interpreted. Research has shown that comparison tools have a big influence on this.
- **Poor probability weighting** – people tend to misinterpret statistical probabilities which can lead to consumers over or underestimating the occurrence of an



uncertain event and this can influence the types of insurance consumers look to purchase.

Behavioural biases impacting the way consumers *assess information* when purchasing insurance include:

- **Limited attention and saliency** – we try to simplify complex information so our brains will focus on stimulus of different intensities that grab our attention - if a feature of a product is attention grabbing; consumers tend to focus more easily on it and may attribute more importance to it. Other important information may be ignored as a result. This can lead to consumers focusing only on highlighted products on a comparison website, such as the first listed products. This particular behaviour is also known as the “listing bias”.
- **Timing of information** - the timing at which information is presented can influence the way consumers analyse and understand information. If attention is focused on the choice of the main insurance product, attention paid to additional decisions such as add-ons, may be limited. This could lead to underinsurance when the add-on bumps up the cost of the premium to an unaffordable level. Equally, offering insurance at a very salient moment, e.g. at the point of sale, can increase attention paid to additional, potentially irrelevant risks, which could lead to over insurance.
- **Drip pricing** - Related to the timing of information is ‘drip pricing’ which is relevant to add-on products such as LEI. Products may be advertised with cheap up-front prices for basic coverage, and during the purchasing process additional prices are ‘dripped’ through add-ons. Consumers may choose a provider based on the cheap up-front price but then fail to compare total product packages.

Main *influences/drivers for purchasing* insurance (non-life insurance):

- **Peace of mind** – ultimately insurance gives people peace of mind - they are buying a feeling rather than a tangible product. There is a desire to feel safe and protected in a moment of crisis. Often this can lead to over insurance and people paying higher premiums for cover – this is linked to our fears of experiencing a loss and feeling regret. People will often continue with cover due to an irrational fear that as soon as they cancel the cover they will need it (similar to lottery ticket purchases when people fear the week they choose not to buy a ticket, their numbers will come up), so prefer to pay for the peace of mind.
- **Experience** – people tend to make judgements on risk based on their own lived experiences rather than statistics. If the individual/or someone they know, has direct experience of the event e.g. a car crash resulting in a legal claim, they will be more likely to insure against this risk, even if in reality, the risk is small. Receiving information on a risk via descriptions e.g. statistical probability of that risk, has less emotional connection for people and they may struggle to understand it or find it too effortful to interpret.
- **Life events** – such as moving home or having a baby – influence people’s risk aversion/risk perceptions e.g. the birth of a child has been shown to increase risk aversion significantly.



- **Highlighted risks** – it has been shown that events in the news e.g. severe weather events or terrorism, may influence perceptions around the likelihood of an event happening and prompt people to buy insurance.
- **Trust/advice** – friends/family giving advice or alternatively a professional, e.g. financial advisor, recommending the need for particular cover can prompt the decision to buy insurance. Trust is also key in the decision on who to buy from – typically consumers prefer to use providers they trust whether that be an individual they know or a firm or brand they are familiar with and trust.
- **Economics of scarcity** – scarcity comes into play when decisions are taken under time pressure and in relation to financial restrictions. Research has shown those with limited financial resources are more likely to make worse decisions in complex, time limited situations compared to the more affluent e.g. some individuals choose too high an excess for their financial ability to reduce premiums when this would put them under considerable financial pressure if they need to make a claim.

2. Findings from Consumer Research on Insurance

- **Negative perceptions of the Insurance industry** – trust among consumers is low and some predict this will continue to decrease during 2021 due to the Business Interruption case brought against insurers over claims relating to COVID. There is a perception among some that insurers will try to avoid paying claims if at all possible.
 - Some have personal experience of insurers not paying out for claims, or of the process being daunting and overly complex to navigate. It should be noted that some players are trying to address these issues and are innovating in this area.
- **Insurance often seen as a 'necessary evil'** – legal obligations to purchase can lead to price driven decision-making.
- **People can be reluctant to make claims** – they want to avoid paying excesses and/or impact their premiums/no claims bonus by making a claim.
- **Comparison websites are now the primary source of information used to make purchasing decisions on insurance on the UK.** This has implications for how information is presented to consumers– see framing and timing of information mentioned above – and may not lead to best outcomes for consumers (recently too there was significant publicity around Compare the Market being fined £18m by the regulator for breaking competition law around home insurance.)
 - Other sources of information include insurers websites, national consumer associations, brokers, advice from friends/family.
- **Premiums/prices are key in driving decision making around insurance** – reliance on comparison websites may contribute to this as they can lead consumers to overly focus on price and attribute more importance to it than other features of the product.
 - Level of cover is also very important – this may demonstrate a need for policies to tailor to the individual's needs.



- However, little attention is paid to exclusions and obligations within a policy. One study has shown that the vast majority of consumers accept terms and conditions without even reading them when buying products and services online (this is not limited to the insurance sector).

Existing research on LEI

There is a lack of awareness among consumers.

- LEI Insurance is perceived to have a 'transparency issue' – many consumers will have purchased LEI together with some other insurance product, either as an "add-on" (regulation now requiring opt-in rather than opt-out) or as part of a bundled product, and so tend to have little or no awareness either that they have this policy or precisely what it covers.
- Due to the nature of the product and how it is sold in the UK there is little/no advertising of LEI to consumers – unlike in other countries where LEI is more commonly bought as a standalone product. Consumers are unlikely to know which insurance providers offer such products and what cover the policies offer.
- The International Bar Association research (2019) compared various jurisdictions with differing uptake of LEI and drew the conclusion that higher levels of consumer awareness of the existence, function and benefits of LEI are likely to result in the greater uptake and use of LEI by individuals.
- In the MoJ research (2007) consumers commented on the potentially fragmented nature of LEI cover – there was awareness that it is often sold as an add-on and that cover may be duplicated in numerous policies. There was also limited understanding of what was covered – people were unclear if policies only cover legal services relating to the type of policy e.g. car insurance, or if the cover is wider and therefore potentially duplicated across various policies. Leading on from this, it was felt that insurance companies might deliberately try to hide the cost of LEI as an add-on as they just want you to pay the premiums (this research was conducted prior to new FCA legislation relating to add-ons in 2016). This made the idea of a standalone product appealing to some.

References

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6.2 Technical appendix

The aims of this research required a qualitative and deliberative approach where members of the public were first asked their views on the subject and were then given further time, information and opportunity to consider LEI in more detail, to reach an informed opinion.

This research happened in March 2021 during the COVID-19 lockdown, and therefore adopted a fully online deliberative process rather than a face-to-face approach. This involved a week-long online forum with 46 participants; preceded by a rapid literature review to inform the project's design and content.

Recruitment and participant profile

Participants were recruited through an online panel via Community Research's partners Panelbase. Participants were invited to join an online community for the duration of the project. They were recruited broadly to ensure a good cross section and mix of demographics across England and Wales (in terms of age, location, ethnicity and socio-economic group), but also included specific characteristics relating to legal confidence and experience of legal issues. A detailed profile of participants is as follows:

Characteristic	Number of participants
Gender	
Female	28
Male	18
Age	
18-24	6
25-34	7
35-54	20
55-74	8
75+	5



Region/ Nation	
Midlands	8
North of England	12
South of England	19
Wales	7
Socio-economic Group	
AB	13
C1C2	17
DE	16
Income	
Up to £10,000 per annum	1
£10,000 - £29,999 per annum	20
£30,000 - £49,999 per annum	11
£50,000 - £74,999 per annum	8
£75,000 - £100,000 per annum	2
Over 100,000 per annum	1
Prefer not to say	3
Ethnic Background	
Black or Asian Minority Ethnic Background	13
Measures of vulnerability	
English as a second language	8
Low legal confidence	13
Long term health condition or disability	12



Legal services / insurance experience	
Experience of legal services in last five years	21
Believed they had LEI at recruitment stage	14

Process

The process was designed to take people on a journey starting from an uninformed position and eventually reaching a more informed view. Participants gave their views on insurance at a general level, then they were asked to complete a mocked-up version of the online home insurance purchase process, with LEI given as an add-on option at the end, as it often would be in real life. They then shared their spontaneous views of LEI, after which they were provided with some information about it and asked to provide their more considered point of view.

Participants took part in activities managed through the [Recollective](#) online platform. The community was 'live' for a week, and participants were asked to log in and out to complete various tasks and activities. These activities included a mixture of online discussion boards and online polling questions and sorting exercises. Information about LEI was provided in both written form and in an animated video. For most discussion board questions, participants needed to provide an answer before seeing how others responded. This approach avoids some of the 'group-think' seen in face-to-face approaches, but still meant participants could consider the views and experiences of others.

In outline, the stages of the online forum were as follows:

1. **General Introduction** – to warm people up to the subject of insurance at a general level without giving away the subject of LEI.
2. **Replicating insurance purchase exercise** – replication of Home Insurance buying process (based on Compare the Market questions) – to remind people of the kinds of questions that they get asked when buying home buildings and contents insurance. Taking people from the start, the exercise went through to the stage where they are asked to opt into / out of LEI. This aimed to replicate real life experience before any priming to the issues. They were then asked why they had / had not opted into LEI and what their understanding of LEI was at the point of that decision.
3. **Discussing dealing with legal needs** – past experience of / and likelihood of encountering legal issues in future and ability to deal with these (including perceptions of affordability). This sought to explore how they would get and pay for legal advice in various situations (including those that might well be



covered by LEI insurance). It also explored their perceptions of the risk of various legal situations occurring in their lives.

4. **Introducing LEI** – Spontaneous expectations of such cover – what legal activities participants expect to be included/excluded within the cover. How they expect it to work.
5. **LEI in more detail – barriers and drivers** – To explore the features of LEI in more detail and get people's responses. Key stimulus was in the form of [this video](#). To discuss drivers and barriers and ways that LEI take up might be encouraged.
6. **Wrapping up** – Capturing final thoughts about LEI.

Notes on reporting

The data from this research were both qualitative (free-text responses and discussions) and "quantitative" (tick box). As a result, this report includes both narrative and, occasionally, numerical findings. However, it is important to bear in mind that this was a qualitative, rather than quantitative, study. It was designed to elicit depth and understanding of participants' views and experiences. The sample size (46 participants from diverse backgrounds) mean that findings cannot be extrapolated to describe the whole population. Any figures presented in this report need to be read as indicative, not representative. All figures presented in the report are raw numbers, not percentages, and apply just to this cohort of participants.

The report includes quotes from participants in their own words to illustrate the findings. To protect their identity, quotes are anonymous, but include participants' gender, age, nation, SEG and whether or not they had LEI cover.

