



# Legal expenses insurance – key asks

The LSB's ten-year sector-wide strategy includes a goal that most households have a legal expenses insurance policy or other mechanisms enabling them to access a wide range of legal services free at the point of need.

We want to see use of legal expenses insurance grow as one of a range of tools to improve access to justice. At the same time, we have an interest in ensuring that consumers can exercise choice, access good quality products and are well protected.

We see a need for action in three areas to help achieve this goal. A collaborative approach will be important to successfully addressing each of them.



## Raise public awareness and understanding of legal expenses insurance

- More consistent and prominent information on price comparison websites
- Legal businesses prompting prospective clients to check whether they are insured before accepting instructions on contentious matters
- General consumer information resources on the Legal Choices platform



## Incentivise insurers to improve the coverage and quality of products

- Better information for consumers about the coverage and quality of policies during the search and sales process
- Fill gaps in the legal issues typically covered by policies
- Address features of the add-ons market that make it hard for consumers to drive the quality of policies through their purchasing behaviour



## Build trust through greater transparency and improve satisfaction with products

- Use Financial Conduct Authority value measures data to improve transparency on the performance of products and providers as a way of building trust
- Improve the claims process informed by research and complaints data
- Better explanations of safeguards around restrictions like choice of lawyer and the reasonable prospects of success test that some consumers find off-putting



# 1. Raise public awareness and understanding of legal expenses insurance

Ownership of legal expenses insurance appears to be rising, but our survey data suggests fewer than 250,000 people each year use insurance of any form to fund legal services. Where it is provided as a standard feature of home insurance policies, some consumers may have legal expenses cover without realising this.

LSB's [consumer research](#) suggests some common misconceptions about legal expenses insurance. Many people assume home legal expenses insurance only covers matters relating to their property, whereas most policies cover a wide range of legal issues. We also found people tend to assume legal expenses insurance is more expensive than it is. When told the typical cost – £23 on average – perceptions of value for money improve.

Legal expenses insurance will not suit everyone, but we want to support consumers to make informed decisions about whether taking out cover is a good choice for them.

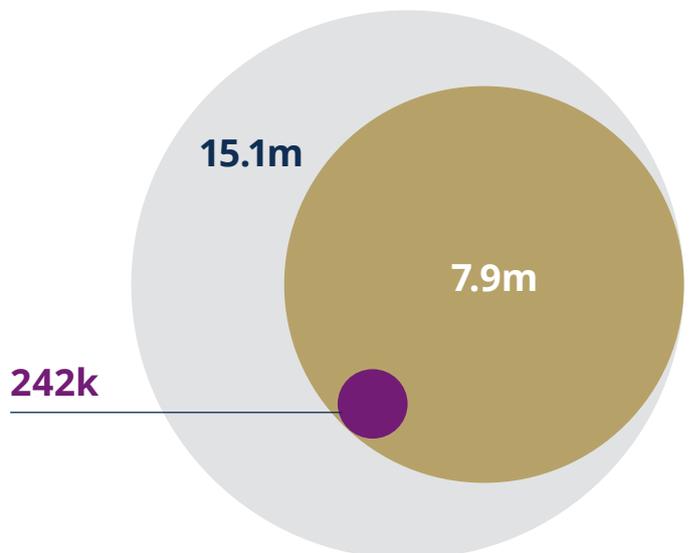
## What we want to see:

- Most consumers purchase home and motor insurance using price comparison websites. Some of these platforms already provide useful information about legal expenses insurance, but this is patchy, and it could be made more prominent
- Legal businesses have an important role to prompt prospective clients to check whether they are insured before accepting instructions. This would be consistent with requirements in existing codes of conduct to act in the client's best interests
- General consumer information resources, such as the Legal Choices platform, could help by publishing simple materials about legal expenses insurance

■ *Estimated number of legal expenses insurance policies*

■ *Number of people experiencing a contentious legal need annually*

■ *Number of people using insurance to fund legal advice on contentious issue annually*



Sources: FCA Financial Lives Survey, LSB Individual Legal Needs Survey

## 2. Incentivise insurers to improve the coverage and quality of products

Legal expenses insurance typically covers a wide range of common legal issues from employment matters to contract disputes and personal injury. Claims limits and legal issues included in the cover will differ from policy to policy, in theory offering choice to consumers.

We would normally expect higher priced policies to offer consumers more than cheaper ones. Yet, in our [mystery shopping exercise](#), based on Defaqto star ratings, there was no correlation between the price of the legal expenses cover and the quality of these products. Also, star ratings for home insurance were higher than for the legal expenses policies, but consumers cannot tell this on price comparison websites. Also, while some comparison sites provide useful summary information on cover limits and areas of law, this is inconsistent.

In practice, consumers first choose their home or motor insurance policy, and this comes with the legal expenses cover offered by their selected insurer. Unlike in most markets, since consumers do not freely choose their legal expenses policy, they are badly placed to drive improvements in the quality of products through their purchasing behaviour.

### What we want to see:

- Greater and more consistent information for consumers about the quality of policies during the search and sales process, e.g. star ratings, access to free legal helplines, summary of cover, 'value measures' like claims pay-outs (see below)
- Fill gaps in the legal issues commonly covered by policies. Insurance cannot cover all legal issues, but typical exclusions cover common legal needs and those affecting people in vulnerable circumstances, e.g. family law, immigration and debt
- The Financial Conduct Authority address how best to empower consumers to drive quality in the context of legal cover mostly being sold as an add-on product

### Defaqto star ratings for home and legal expenses policies

Home



Legal



■ ★ ■ ★★ ■ ★★★ ■ ★★★★ ■ ★★★★★

Sources: Based on 56 policies – LSB mystery shopping exercise and Defaqto website

# 3. Build trust through greater transparency and improve satisfaction with products

Our consumer research identified a general issue with lack of trust in insurance companies, which fed into scepticism about whether insurers would pay out in the event of a claim. The Financial Conduct Authority now requires insurers to submit information on 'value measures' such as claims frequencies, acceptance rates, pay-outs and complaints. If published, in a form that consumers and intermediaries would use, this should result in more information on the quality of these products being accessed, helping to improve quality and build trust.

Common restrictions in legal expenses policies include limitations on choice of lawyer and the reasonable prospects of success test. Most participants in our consumer research were comfortable with these provisions, but some found them off-putting believing that insurers would exploit them to serve their own interests. These issues are a common focus of complaints to the Financial Ombudsman Service.

Research by IRN<sup>1</sup> found the vast majority of policyholders seemed satisfied with their policy and their policy provider, but satisfaction dropped significantly among policyholders who used their policies to finance a legal case or made a claim on their insurance. Half of claimants said they ran into problems with their policy or provider, pointing to a need to improve the claims process. Beyond the headline survey data little is known about the experience of consumers making claims on legal expenses insurance policies.

## What we want to see:

- Maximise the benefit of the Financial Conduct Authority value measures data by publishing this in a form that gives consumers the information they need
- Make improvements to the claims process by carrying out targeted research with policyholders and learning from complaints to the Financial Ombudsman Service
- Insurers need to reassure consumers by better explaining safeguards around choice of lawyer and the reasonable prospects of success test

### Choice of lawyer

*"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."*

*"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."*

### Reasonable prospects of success

*"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."*

*"In my opinion, the 51% reasonable prospect test is lazy and many cases are not progressed as a result, meaning justice is not served."*

Source: Community Research, Legal expenses insurance: a report for the LSB, May 2021.

1 IRN, BTE Legal Expense Insurance, 2021.