Conclusions of the RIAD Seminary 2007
“A Glance into the Future – how can Legal Expenses Insurers prepare themselves?”

During the RIAD Seminary on 1st June 2007 in Barcelona legal expenses insurers had the opportunity to deal with fundamental challenges that they – and other commercial organisations - will have to face in the near future.

On this occasion the trend watcher Herman Konings (Pocket Marketing nXt, Antwerp) and the business consultant and actuary David O’Connor (Towers Perrin, Dublin) presented the results of their researches and forecasts: questions concerning the consequences, particularly for legal expenses insurance companies from the generation conflict or the time-currency deflation; particular attention was paid to trends and effects of new communication strategies and techniques between people but also between machines (m2m), to changing social and market structures and to the growing importance and strengthening of consumer protection.

During the afternoon’s working session the 110 representatives of legal expenses insurance companies were able to digest and analyse the content of Herman Konings’ and David O’Connor’s catching and interesting speeches within small groups. The key concern of the discussions was to take stock of the problems that the sector will have to face and how to prepare for them from the perspective of various departments within an insurance company (e.g. information technology, sales, marketing/ public relations, underwriting/ finance/ accounting, claims handling/ services departments). It gave participants the chance to reflect on how to help consumers and small and medium sized enterprises in finding their way through the increasing “jungle of regulation” and how to perk up their services and make them more effective by using new information technologies and communication trends, thereby improving efficiency and reducing reaction times.

Throughout their competent and comprehensive moderation Mike Timmons (D.A.S. United Kingdom) and Herman Konings wrapped up the content of the two speeches and concluded the essentials for RIAD Members. On the basis of their presentations and the discussions within the working groups it was possible to establish the following conclusions and outline some of the opportunities for Legal Expenses Insurers.
I. The Core Challenges for Legal Expenses Insurance

1. Time-currency deflation
   Time – the most important commodity – consumers are busier than ever and are becoming increasingly time poor and need to be offered products and services that are designed to save time in making a decision.

2. Information and consumption overload
   The shortage of time is intensified by the fact that today we are exposed to an increasing flow of information. On top of this, an excess supply of goods and services puts pressure on consumers who do not have enough time to make a considered choice. Consumers risk not knowing what they want and end up in an option paralysis.

3. Increasing tide of regulation
   In particular, small and medium sized enterprises within fragmented and highly regulated sectors face problems and need solutions to find a path through the “jungle of regulation”.

4. The emerging of a new target group
   Within the next decade the generation of mediors (born from 1940 to 1954) and the babybloomers generation (born from 1955 to 1964) will become the largest age group. Moreover, they are attractive for businesses because they have the biggest spending capacity, are seduced by production and like to spend money. However, they are challenging for businesses since they are extremely well informed, look for the best value and price for services and products, are proficient in using the internet, challenge authority and are convinced that they as consumers are in command.

5. Changing relationship and life style patterns - new living concepts
   The disintegration of families, changing living and working arrangements, new relationship patterns and the necessity for job mobility and flexibility give rise to a change in people’s attitudes. Moreover, since people are trapped by their everyday chores, their long working hours and endless time spent commuting between their homes and working places they feel isolated and do not consider themselves as part of the community. Additionally, driven by a shortage of time, people do not seek amicable solutions if a dispute arises between them and the community; they rather engage third parties (e.g. lawyers) to solve their problems which leads to an increase in the number of litigations.
6. **Private law enforcement and litigation**
   Financial pressure on public social systems and less compensation for damages by the social systems will accelerate the rise of tort in the EU. Politicians seek market solutions for this situation and consider legal expenses insurance as a possibility.

7. **New technologies and m2m communication**
   New communication technologies have significantly changed the pace of our lives. More changes are imminent and will influence the way we do business and communicate as well as the way in which litigation is conducted.

8. **Insurers’ conservative attitude toward new trends**
   The threshold amongst insurers to use the internet for their business is very high while, at the same time, they are aware of the fact that the new technologies are inevitable. If insurers (and brokers) maintained their rejection and dismissive attitude towards new technologies they would risk losing their contacts and clients since consumers would be ahead of them and would be better informed.

9. **Fragmentation of sales models**
   The handling of new media depends to a large extent on national traditions, culture and business models. Therefore, the acceptance of internet sales, the use of different means of communication etc. vary substantially between different countries.

10. **“Humanisation” of high tech communication**
    Over the past couple of years our society has moved towards technical solutions which make everyday processes easy and quick but also extremely anonymous and clinical. As a counter-reaction people have started to look for a more human touch of their environment, they celebrate nature re-enchantment and demand a humanised version of the internet. The quintessence is that customers and brokers look increasingly for a personalised face-to-face communication which makes them feel pampered and more at home.

11. **Onerous development and maintenance costs**
    Substantial costs for developing and maintaining products and technology are a serious draw-back: in general, IT is out-dated the moment it is being used. Therefore, keeping especially IT systems updated and avoiding a technology gap generates high costs which are hard to redeem.

12. **Consumer over-protectionism**
    In particular add-on insurance policies are sold passively. In
general, consumers are not aware of the content of these products and do not take them up but rather forget about them. Legislators and regulators have started to scrutinise this ineffective money spending from a consumer protection perspective. Since consumer protection measures tend to be principle driven, insurers could be confronted with disproportionate legislation, possibly leading to over-protectionism which might hurt their business.

13. **Maintaining the sustainability of insurance products**
New target groups open the prospect of more differentiated and segmented products. However, when developing niche products which target at certain risks it must be ascertained that the pools of risks in certain areas do not become too small to be sustainable.

14. **Specifics of the product “legal expenses insurance”**
Legal Expenses insurance is a complex product and deals with complex subject matters (e.g. liability issues, labour law, criminal offences etc.) which often cannot be explained in simple terms, i.e. by using e-mails, leaflets or brochures. Therefore, customers need an inter-active exchange and support which allows them to ask questions and get a direct answer which the use of the internet cannot provide.

### II. Goals and Opportunities for Legal Expenses Insurance

The six key areas for legal expenses insurers to focus on in the years to come are: communication, information, flexibility, education, quality and suitability of services and products and the intelligent use of information technology. However, services like insurance services only work if all departments live up to their responsibilities and always put the customer first. Customers need to know that they are being treated fairly, are the focus of attention and that insurers work for their satisfaction.

1. **Communication**
   Communication is the top priority if insurers want to stay on top.
   - Insurers need to be aware that the world’s way of communicating is evolving and that possibly in 10 years time everyone will use the internet or even more advanced techniques for their everyday communication.
   - All means and communication methods (conservative and innovative) have to be used for reaching customers effectively;
ideally a seamless communication channel should be put in place, not leaving any gaps for escape.
- Communication channels must be used in a pro-active, flexible and individualised way: any possible way of communication (e.g. joining information material to invoices, e-mails, chat rooms, internet, skype, web-cams) must be exploited and targeted individually at each customer.
- Using all different means of communication and transmitting repetitive information can turn out as an effective sales practice.
- Skype or web-cams could replace a traditional face-to-face conversation since they allow an inter-active way of communicating and responding directly to your interlocutor.
- Insurers should do a kind of bench marking and learn from the young generation how they play the “communication game”.
- How to communicate is key: communication only works if we make ourselves understood by using a plain language.
- Do not insist on your expertise and use a language which your interlocutor comprehends (s/he is not a fool but does not have your subject knowledge).
- Adjust your language to the generation of your interlocutor and adapt the vocabulary which is decisive and defines that generation.
- In a communication with a client the word “no” should never be used: this turns her/ him down and does not leave her/ him with an alternative. Consequently, the only option for your client would be finding another insurer which means that you loose her/ him as client.
- Regular and formalised feed-back from customers is a useful tool and allows insurers to take into account customers’ desires and needs without compromising legal positions when designing new products or enhancing existing products.

2. Information
Informing customers and the broad public about legal expenses insurance, the services offered and legal implications is important if legal expenses insurers want to sell their products and keep their customers satisfied.
- Simplicity of information is important.
- Information must not be brought forward entirely all at once but systematically and in a structured way.
- Advertisers and communicators must be aware of the fact that people are different and have different backgrounds.
- The internet can be used as an efficient support tool, e.g. the introduction of a “push and pull tool” could be a flexible and easy
option to disperse information: legal expenses insurance companies, legal firms, brokers and customers would share information.
- A more traditional way of information is to draw up frequently asked questions (FAQ) which give simple information in plain language about products and services.
- Put the customer first and find out what the customer understands: asking regularly feed-back from customers helps to find out what they understand, how they interpret the wording of information and insurance products.

3. **Flexibility**
   Already Charles Darwin has proved that flexibility, readiness to respond to new demands and challenges but sometimes also short-term reactions are crucial for long-term success and survival. Consequently, flexibility is a conditio-sine-qua-non for all departments and areas of insurance activities.
   - Learn from mistakes: if a problem arises solve it, subsequently take the necessary measures to prevent a repetition and adapt your practices profoundly and effectively.
   - Flexibility is important when communicating with customers: each customer has different preferences. If insurers want to have direct access to their customers it is necessary to take into account individual likes and dislikes and use the means of communication each customer responds to individually.

4. **Education**
   Educating clients, in-house staff and brokers about the product “legal expenses insurance” but also about how to use modern information technology efficiently in order to get access to information would make the product more visible. This is a major responsibility of the marketing and public relations but also for the IT departments.
   - Legal expenses insurance is neither eye catching nor attracting people’s attention without substantive supportive measures. For that reason, it is important to make people understand what it is, how it works and to raise awareness of the product.
   - Clients, staff as well as brokers need to be taught how to use the internet effectively, either in order to find or to provide the right information.
   - Insurers and brokers need to stay ahead of their customers when using internet applications as tool for facilitating their business and cooperating with each other. Therefore, it is crucial that particularly employees of insurers and brokers get intensive
and targeted training how to obtain but also how to provide information.

5. **Quality and suitability of services and products**

In comparison to other insurances the real prospect of legal expenses insurance is the provision of services. While other insurance products function purely as a risk transfer legal expenses insurance go far beyond: it offers tangible services, supplies knowledge, facilitates access to justice and can relief people from their time deficiency. Therefore, this is where the chances for the product lie.

- Legal expenses insurers have the possibility to respond to the time deficiency of people: customers seek deliverance from their chores and look for means to have their time returned.
- Two options to achieve this seem to be available: firstly, extending the choice of services and products (i.e. more differentiation and segmentation of products which respond to customers’ individual needs); secondly, leaving the insurance products as such static while, however, segmenting communication and gearing messages at specific target groups.
- The privatisation of the “general good” and the rise of tort give legal expenses insurers a new perspective: in response to the withdrawal of public social systems and the pressure put on them, politicians seek private market solutions. This could be a significant opportunity for legal expenses insurance since politicians see them as a possible answer.
- Quality can easily generated if products are easy to understand: by using plain language and bringing simple products on the market insurers respond to the information overload and facilitate people’s lives.
- The centre of legal expenses insurance business is the customer: it is essential to treat the customer fairly, deal with him as he wants to be dealt with and put the customer first. In order to achieve this goal insurers have to stay in contact with their clients and need to interpret the wishes of their customers.
- Pro-active advice should support customers and help them to find out what product they need and suit them.
- The quality of services is essential for success. Therefore, policies and products (newly introduced and already in place) must be reviewed continuously, clients must give their feed-back about how they perceive the services and – most importantly – legal expenses insurers must adapt their services and products accordingly.
6. **Information technology**

Information technology has become imperative everywhere and has to be used as an enabler for all processes within all departments. The intelligent and flexible use of IT is also vital to keep in contact with customers. Moreover, there are numerous reasons for and ways how to make the use of IT more attractive and effective.

- **Customer relationship management**: with the support of different customer and target groups can be identified. Individual clients’ preferences (e.g. regarding means of communication and many other elements) can be processed and the relevant information can be produced whenever needed.
- **Putting in place a first class service** needs support from the IT department: e.g. insurers can react quickly to new living conditions or other prerequisites of a customer. This assures that each customer gets the services and products he wants and needs.
- **IT can be employed as an education tool on the internet but also inter-actively on demand by the customer**.
- **In order to attract customers and brokers insurance companies in general have to humanise their internet appearance and means of communication**.
- **New information technology is capable of re-introducing a personal touch and re-connecting with customers and brokers**: the use of web-cams and/ or internet telephone allows an inter-active, face-to-face communication which facilitates staying in contact. At the same time this helps saving time while giving the option of a personalised communication with the support of modern technology.