



Prepaid legal plans help bolster attorney's practices

Business of Law

By Douglas J. Levy

The majority of Randy J. Ordway's practice involves personal injury, civil, family and employment law. But by being part of a prepaid legal plan network, he gets to engage in other general practice sectors, from wills and trusts to deeds and adoptions.

Best of all, "It creates a large client base and provides a source for business and revenue that doesn't require a lot of the overhead costs associated with advertising and that sort of thing," said Ordway of Troy-based Powers Chapman DeAgostino Meyers & Milia PC.

Since 1994, his firm has been a member of Ada, Okla.-based Pre-Paid Legal Services Inc., one of several nationwide companies of its kind.

Prepaid legal plans are usually offered

as part of an employee benefit program, and provide coverage for a range of legal services. Depending on what plans are offered, employees pay \$70-\$400 annually for the coverage via payroll deduction or monthly fees, according to the American Prepaid Legal Services Institute (API).

The plans cover a range of basic legal services, including consultations, power of attorney, assistance with traffic violations and accidents, audits and identity theft.

About one-third of the Fortune 500 companies offer group legal plans, and Michigan employers with legal plans include Chrysler, Herman Miller, Detroit Diesel, Domino's Pizza, Dow Corning, and the University of Michigan.

Cameron Sutton, president and chief executive of ARAG, a Des Moines, Iowa-based legal plan, said that he plans to double the size the company in the next four years. ARAG has about 1 million members and

7,000 attorneys in its nationwide network. Pre-Paid Legal Services, meanwhile, handles more than 1.5 million inbound calls and 200,000-plus e-mails each year.

Marcia Bowers, director of sales and marketing for Hyatt Legal Plans, said that there has been some attrition in membership because of layoffs and cutbacks at large corporations during the recession. But usage by plan members is up, she noted, particularly in bankruptcy and debt collection defense cases.

Hyatt, a Cleveland-based subsidiary of MetLife, is the nation's largest legal plan, with more than 5 million members and a nationwide network of 11,000 attorneys, 423 of which are in Michigan. The group also sells a \$395-a-year plan directly to consumers.

Bowers said that prepaid legal groups such as Hyatt are allowed to do business because there are no split-fee conflicts be-

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tween attorneys and non-attorney groups.

The attorneys who are on the roster, she explained, “simply agree to deliver service to our plan members at a set fee. ... What we do is buy legal services, and deliver them to our participants nationwide. The attorneys agree to a set fee schedule for specified services covered through our legal plans, and they agree to deliver them. And all of the billing is done between the attorneys and Hyatt; they do not charge the participants for covered services.”

Of course, participants also have the option of paying the attorneys directly for services not covered by their plans. And for many attorneys, working for prepaid legal plans is a way to establish an initial client contact that can be leveraged into repeat business, ARAG’s Sutton said.

Attorneys are paid a discounted rate, and members are referred to participating attorneys based on location and practice areas. Bowers said Hyatt tweaks its fee arrangements so that they are competitive with rates in the geographic areas where the attorneys practice.

But Sutton said it should be viewed as a long-term investment.

“When you can bring [a client] in at a reduced rate, it’s going to come back to you in spades later,” he said.

However, getting to that point means understanding the caveats. Plans often require unlimited telephone access, a

time-consuming and not particularly profitable aspect of plan work. They also tend to cover more routine legal tasks, and, by working at a discounted rate, attorneys must receive enough plan work to meet their costs.

Yet, because attorneys in the program *do* get paid, there are no deadbeat clients or collections hassles.

Powers Chapman’s Ordway said that such stringent service requirements — such as a turnaround call time that must not be more than eight hours, something that other practitioners wouldn’t otherwise want to bother with — are less a hindrance than a means of necessary quality control.

“It prevents things from slipping through the cracks, because we have checks and balances in place,” Ordway said.

And while getting a steady, albeit not exactly lucrative, stream of income is nice, the rewards are more personal, in that people who wouldn’t normally seek legal help because of the cost factor now feel comfortable enough to do so.

“We’ve had situations where people struggle with insurance companies over health care coverage for years by themselves and gotten nowhere,” he said. “We were able to get the matter resolved in their favor by simply reviewing some records and writing a letter to the insurer.”

ARAG recruits attorneys through referrals, ads, trade shows and its website. The company said that of the nearly 500 lawyers who have joined so far this year, 84 percent were referred by other attorneys or ARAG plan members.

In some parts of the country, there are waiting lists of attorneys who want to be in Hyatt’s network, according to Bowers.

“The fact of the matter is, we provide the attorneys with a stream of clientele, and it’s an economic arrangement,” she said. “So to bring on too many firms in any area would mean there are firms who aren’t getting enough clients.”

For Ordway, it’s all about getting the client who wouldn’t normally want to even consider *any* legal services.

“Our thinking was, we believed that this was something that could, and would, over time become a more prevalent delivery for legal services,” he said. “We recognized the fact that middle-income families were left out more and more from the legal process because of the costs. We felt this would be something more than a short-lived trend, and that’s proven to be true, given the growth we’ve seen over the years.”

If you would like to comment on this story, please contact Douglas J. Levy at (248) 865-3107 or douglas.levy@mi.lawyersweekly.com. Lawyers USA, which, like Michigan Lawyers Weekly, is a Dolan Media Co. newspaper, contributed to this story.