

Interest in pre-paid legal plans up

Many small business owners are pre-purchasing access to lawyers as a way to protect business investments.

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It is about the closest thing to legal insurance available today.

Prepaid legal plans are gaining in popularity as a cost-efficient way for individuals and small business owners to secure access to legal services. One of the greatest values of membership in these plans, many say, is the peace of mind that comes from knowing legal services are there.

A survey conducted by Leo J. Shapiro & Associates for the American Bar Association lends credence to the notion that many Americans go without legal services because they simply do not know how to go about securing them or what doing so might cost.

According to the survey, seven in 10 U.S. households report experiencing some event during the 12-month period studied that might have led them to hire a lawyer. About half of those who might have needed a lawyer, however, did not plan on hiring one. For the consumer, the study indicated, legal services are among the most difficult services to buy.

In a small business environment, Pre-Paid Legal Services Inc. independent associate Cindy Stevens said, common sense tells the business owner they should consult a lawyer to ensure they are in compliance with state and federal laws or to have contracts or other documents reviewed, but common sense is something people just don't always have time for when running their business.

Having an existing relationship through a prepaid legal plan makes the task of contacting a lawyer more efficient. The ABA's American Prepaid Legal Services Institute reports that 65 percent to 85 percent of all problems brought to lawyers through plans can be resolved through nothing more than advice and a small amount of follow-up.

"Laws are changing so fast right now," Stevens said. "A business owner has to keep up on what is compliant. It is the not knowing that gets us in trouble, but ignorance is no excuse when it comes to the law."

Business owner Annette Rawlinson had considered becoming a Pre-Paid Legal Services member, but she initially decided against it. When her lease was up and she was contemplating a move for her business, however, she wanted to have a lawyer review the new lease and decided to try the PPLSI business plan. It required no long-term contract, she thought, meaning she could always cancel.

But Rawlinson has not cancelled. In fact, she is now in the process of reviewing some of AccountTech Inc.'s employee confidentiality and non-compete agreements, and is using the resources of PPLSI to fine-tune those documents.

"I only used an attorney once every two or three years," Rawlinson said. "I wasn't big enough to be very important to my attorney. I felt with Pre-Paid Legal I had their numbers behind me and if I needed something it would give me leverage."

The \$75 per month she pays for her five-employee company to be covered by PPLSI is less than what she would have paid, she added, for the services she has received. Small business owners with 50 or fewer employees pay \$75 monthly for the service, while entrepreneurs with 51 to 99 employees pay \$125.

PPLSI business plan members can talk with a lawyer about compliance issues, have contracts and documents reviewed, receive assistance with debt collection, and are provided up to 75 hours of trial defense services if the business is named a defendant or respondent in business-related civil actions. Other prepaid legal plans operate in much the same way.

Membership provides entrée to the legal system – something many say is a first and a key step in getting legal help when needed. Once a member, Rawlinson said that Stevens followed up and helped her to become immersed in the program. Understanding the services available showed her the value of remaining a member, she said.

"Now, if there is something I want to look for, one of my first thoughts is, 'I wonder if Pre-Paid Legal has anything on this,'" Rawlinson said.

Enhancing accessibility to information is changing the way people think about legal services, according to Stevens. We used to call a lawyer when we got into trouble, she observed, but small business owners are becoming more proactive.

When Fashions & Custom Creations Inc. was sued in small claims court, bridal consultant and PPLSI member Marie Fry contacted the service. Having a lawyer, she said, made all the difference.

While they were working together, the client who sued Fry continually changed her mind about the custom gown she was having made as well as the date of her wedding, Fry explained. When the client finally took the dress, she said, it did not appear that the wedding was going to occur. The client served Fry with a small claims notice saying she was not satisfied with the dress.

“I immediately called the legal service and they set me up with a lawyer,” Fry said. “He walked me through this and told me what documentation I needed to have. She was pretty shocked that I had a lawyer and all my ducks in a row. We won our case. The service paid for itself.”

An added perk, she said, was that because she had a lawyer with her in small claims court, her case was heard first. She was in the midst of planning a bridal show the following weekend, she added, and was grateful that she did not have to sit and wait.

Fry has PPLSI’s Legal Plan for the Self Employed, which covers legal needs she encounters in her business as well as the needs of her family members.

“Being in the wedding business you never know, Fry said. “It is a very emotional time for these girls. For \$50 a month, it is worth having piece of mind.”

Before signing on with PPLSI, Rawlinson said it was important to her to know about the professional qualifications of the lawyers who may be representing her. It was important, she said, that they had a solid local presence and were in good professional standing.

O’Koon Hintermeister PLLC serves Indiana PPLSI clients. The firm, which has offices in Indianapolis and Louisville, is the provider law firm to PPLSI clients in both Indiana and Kentucky.

Jeff Hintermeister moved to Indianapolis in 1999 to open the firm’s Indiana office, which now comprises 15 lawyers.

“The reason we opened the Indianapolis office was to serve Pre-Paid Legal members,” Hintermeister said. “Our growth has been directly tied to Pre-Paid Legal. It is a large percentage of our business.”

Hintermeister said the growth in business reflects a trend in the legal industry. Individuals and small business owners who may have never had dealings with lawyers before are finding these plans provide access to lawyers at a reasonable price. That, he added, is important.

“When someone is a member of Pre-Paid Legal they pay a monthly fee for benefits, and whether it is a small matter or a large matter, we are going to provide the service they need,” Hintermeister said. “If it is a small matter, many firms may not even talk to them. Because they pay a fee and we handle all their matters, they have that advice.”

New challenges

Identity theft is on the rise throughout the United States, and Indiana is not immune. In 2004, more than 4,200 Indiana citizens reported being a victim of identity theft, ranking Indiana 17th in the nation in identity theft frequency according to the Federal Trade Commission’s Identity Theft Data Clearinghouse. Indianapolis ranked 27th among major metropolitan areas for identity theft complaints.

New laws that have taken effect this year require business owners to be more diligent than ever before when dealing with their clients’ personal information. It is one more area, Stevens said, where consulting a lawyer and ensuring your business is compliant with existing laws is crucial.

“Many think FACTA doesn’t affect them because they don’t collect credit information,” Stevens said. “Yes, they do.”

The Disposal Rule of the Fair and Accurate Credit Transaction Act of 2003 took effect June 1, 2005. The federal rule requires businesses and individuals to take appropriate measures to dispose of sensitive information derived from consumer reports. Penalties for violation are substantial.

Stevens said that all business owners must be extremely careful about the way they collect and store the personal information of clients, employees, and others associated with the business. They must look at how long information is kept, who has access to it, whether safeguards are put in place and updated as personnel changes, and disposal procedures.

For example, Stevens asked, does a manager conducting an employee review need access to an employee’s complete file including Social Security number and other personal information? Probably not, she added, yet many small business owners keep all such information in one file, allowing the information to be unnecessarily shared.

A new individual protection offered by PPLSI, the Identity Theft Shield, can be added to a company’s prepaid legal plan or purchased alone, providing additional protection against this growing crime. Service for the protection is provided by Kroll Background America. This service monitors an individual’s credit report for activity and reports to the client any new activity, enabling early detection of identity theft. Identity restoration services are also provided. The plan does not cover business entities.

Rawlinson said she saw value in this service as well, and since becoming a PPLSI member has set up the Identity Theft Shield as well as a Pre-Paid Legal Family Plan, to be offered through her company as an employee benefit.



Independent associate Cindy Stevens says pre-paid services can be a solid protection for small business owners.