

Harland Stonecipher tells Grayson Walker about his company's solution to make the justice system work for all people.



"Equal Justice under Law." You'll find that engraved on the west side of the US Supreme Court building, a testament to one of our country's founding principals. "It ought to give you a warm and fuzzy feeling, but you know as well as I do that you get as much justice as you can pay for," said Harland Stonecipher, founder, CEO, and chairman of Pre-Paid Legal Services. "And the average person just can't afford it."

Think about the fallout from recent high-profile corporate bankruptcies or the brushes with the law of prominent sports celebrities. Could the Average Joe and Jane afford the legal representation that the rich and famous get? Maybe not, but with Pre-Paid Legal's help it becomes possible—for just \$14.95 a month with a plan offered through employers.

"We are to attorney's fees what HMOs are to doctors, except our clients have direct access to attorneys in every state," Stonecipher explained. "We call ourselves an LMO: a legal maintenance organization."

Stonecipher hit upon the idea for Pre-Paid Legal Services, literally, following a high-speed car crash in rural Oklahoma in 1969. Another driver turned in front of him, damaging his car and sending him to the hospital. "I had medical insurance to cover my injuries and car insurance to replace my vehicle (which was totaled), but I ran into some legal fees and had to come up with money that I didn't have. I didn't even know a lawyer at that time."

The teacher-turned life insurance salesman started doing research shortly after and discovered that no insurance-like policy for legal services existed in the US. Pre-Paid Legal started business in 1973 and went public in 1976. Currently traded on the New York Stock Exchange, the company was listed as the 33rd best-performing stock in 2001.

Market potential huge

Pre-Paid Legal reported revenues of \$300 million last fiscal year and expects to improve that number by 8% this year. The company currently insures 1.5 million families in the US and Canada, which is a drop in the bucket when you realize there are 100 million US families.

"We have not even scratched the surface of the surface," Stonecipher said. "Even though we've been around for three decades, we feel that the best, by far, is yet to come."

That large slice of Americana remains a mainly untapped market, and one that Pre-Paid Legal is going after. Stonecipher predicts that his company will top \$1 billion in revenues in the next five years as it solidifies its name in the market. "With a provider in every state, we're probably the largest law firm in the country," Stonecipher said.

The company focuses on the middle 80% of American families, not the very rich, who can afford the \$300-plus hourly fees that lawyers can charge, and not the poorest 10%, who are covered by public defender systems. For less than \$180 a year, Pre-Paid Legal clients can have access to attorneys in their local market.

Pre-Paid Legal offers its policies directly to customers as well as through their employers. Individuals and families comprise 75% of its business, with the rest represented by employer plans.

The basic employer plan is \$14.95 a month and covers husband, wife, and eligible dependents. The same plan is \$16 if purchased directly from the company. A \$10 per month upgrade provides more hours of legal assistance per year.

With other types of insurance that cover liability, the insurance company protects its own interests, Stonecipher said, sometimes to the detriment of the policyholder. A physician, for example, might have a malpractice claim filed against him, and the insurance company attorneys want to settle while the physician wants to fight. With a policy from Pre-Paid Legal, the attorney assigned to the case represents the physician's interests, not the insurance company's. And if a client finds himself in an auto accident anywhere in the country, Pre-Paid Legal attorneys will be knowledgeable about the laws in that state, Stonecipher said.

Virtual delivery

The utility of the Internet as a repository of useful information is helping Pre-Paid Legal to offer additional services. More than 60,000 printable forms are available to members, who can have an attorney review the forms before signing.

"We already have a price that nearly everyone can afford," he said. "Through the use of the Internet, we hope to bring the price down."

The company is located in Ada, Okla., about 100 miles southeast of Oklahoma City. All but 100 of Pre-Paid Legal's 700 workers are in a new building in Ada, with the rest at a call center in Antlers, Okla. "I find a good work ethic here and good quality people," said Stonecipher, the son of Oklahoma sharecroppers.

Pre-Paid Legal policies are sold through its Web site, but nearly all are sold through insurance agents and individuals looking for additional income. "We have a lot of people who start part time and then discover they can make a lot of money," Stonecipher said. "With life and medical insurance, there are literally thousands of competitors, but Pre-Paid Legal doesn't have any."

Pre-paid legal policies are more common in Europe, where such policies have been around for 100 years. "Ray Croc didn't invent the hamburger," he said of the founder of McDonald's. "He developed a consistent delivery method. I didn't invent the law or lawyers but a new method of delivering legal services."

Stonecipher said he once dreamed of retirement at 60, like many entrepreneurs do. He's 66 now and shows no signs of slowing down as he continues to build the company he founded three decades ago. "I finally stopped kidding myself," Stonecipher said. "As long as my health is good, I'll keep doing what I've been doing."