

EARNING IT

## Getting Legal Advice, Without Billable Hours

By ANDREA ADELSON

**T**HE legal-service plan, which provides advice and other services for routine legal matters, was born 20 years ago as a prepaid benefit for union auto workers. Now such plans are expanding rapidly among middle-income workers and retirees, many of whom pay to enroll.

For fairly low fees — typically \$4 to \$15 a month — the plans may promise subscribers unlimited telephone advice, legal services like the writing of a simple will and discounts on legal work outside the plan's coverage. The American Association of Retired Persons may be on the brink of throwing its substantial weight behind the idea, and, by one estimate, 1 company in 10 will soon have a legal-service plan.

In the workplace, champions of the plans say they help productivity by eliminating the anxiety over high fees that stop many consumers from going to a lawyer until a problem turns into a crisis.

"A bad legal situation can bankrupt a person," said Walter B. Podgurski, president of Lawstar Inc. of San Ramon, Calif., which administers four legal-service plans. "The solution is to pool risk. It's a natural extension of what insurance companies do."

One apparently satisfied customer is Betty Silver-Rappaport, a retired kindergarten teacher in Little Neck, Queens.

"I never felt comfortable with the outside lawyers" she hired after being widowed, she said. But Feldman, Kramer & Roberts, a Hauppauge, L.I., firm retained by her union, was courteous and even called to remind her to finish a legal task. "You knew they were there for service," she said.

Feldman, Kramer is among the firms that have made legal work for employee-sponsored plans their principal business. Among its biggest clients are the New York State United Teachers and the United Federation of Teachers in New York City. Active members who enroll in the plan pay \$49.50 a year through payroll deduction. Federation retirees get a free bundle of services tailored to the needs of the elderly.

Sasha Greene, the federation's social services coordinator for retirees, said her members gained access to more than just competent lawyers who specialize in laws affecting members. "The forms are large print," she said, and the lawyers make home visits. After one member facing brain surgery called Ms. Greene from the hospital, Feldman, Kramer dispatched a lawyer, and a will was drawn up at bedside.

Some leading administrators of the services see strong growth in designing plans for small and medium-size businesses. These administrators include Hyatt Legal Plans Inc. of Cleveland; the Signature Group of Montgomery Ward in Chicago, and Prepaid Legal Services Inc., a publicly traded company in Ada, Okla.

A 1994 survey by Hewitt Associates, the benefits consultants, found that 4 percent of big companies nationwide offered legal services as a benefit, but that 10 percent planned to offer them within three years.

A report in the April 1994 issue of the American Bar Association Journal estimates that 18.5 million Americans, half of them through unions, are enrolled in prepaid plans involving 20,000 lawyers. Kraft Foods and AT&T are among the few big employers that buy the benefit for employees. Outside unions, employees voluntarily



George M. Guierres for The New York Times

Betty Silver-Rappaport liked the service she received in her teachers' union legal plan.

pay for the plans, which are typically offered in cafeteria benefit packages.

The industry will get a big lift if the A.A.R.P. begins a legal-service plan for its members. The association already has 14 hot lines for legal advice, but they are overwhelmed, and a test plan that begins in October will offer discounts on other legal services in addition to the free phone advice.

Generally, legal-service plans refer clients to teams of participating lawyers around the country; the lawyers are screened for competency and friendliness. Clients often want help with consumer disputes and divorce and real estate matters.

But if they want to sue the boss, draw up a business contract or defend themselves on a felony charge, they will generally find such services excluded.

The plans, however, vary in coverage. Some defend clients in vehicular manslaughter cases, while others cover tax audits. A plan for law-enforcement agencies offers 24-hour legal access, for example, while a plan for teachers includes representation at administrative hearings.

Some companies emphasize marketing to individuals rather than employee groups, signing up people through mailers in credit-card bills and bank statements. Others ask

members to refer their friends.

And some legal-service plans are sold in a package with other types of insurance to employee groups. Lawstar, a newcomer, is trying this approach. It began offering legal services this month through the Medical Life Insurance Company, a group life carrier in Cleveland.

William A. Bolger, executive director of the National Resource Center for Consumers of Legal Services, based in Gloucester, Va., said it made sense for insurance companies to package legal services with more traditional coverage like homeowner's or auto insurance. "From the consumers' point of view, legal services shouldn't be separate from other professional services," Mr. Bolger said.

Law firms that win group work are paid a monthly fee for each subscriber whether or not any work is performed. Prepaid Legal, for example, pays \$150,000 a month to Parker Stanbury, a Los Angeles firm, to provide services to its 30,000 enrollees in California.

But the plans can offer more than a steady cash flow for law firms. They provide a base of customers who may need help with matters outside a plan's scope.

"The game is enough volume to support the costs," said Timothy D. Beck, a principal in Los Angeles with Buck Consultants, a benefits consultant.

Some consumer-interest lawyers say legal-service plans are open to abuse — that a legal issue, for example, could be blown out of proportion to move it from the free-consultation category into billable hours.

Harland Stonecipher, chairman of Prepaid Legal, disagreed with the skeptics. "We're paying our lawyers enough money," he said. "They don't have to rely on getting more money out of members."

Prepaid is forecast to achieve 58 percent compound earnings growth through 1998, according to a report by Philip J. Anderson, an analyst at Ladenburg, Thalmann & Company. Prepaid's shares traded for \$1.80 in January 1994 and closed at \$22.625 on Friday on the American Stock Exchange. □