



---

## Country Reports from General Council Meeting on 28 October 2021

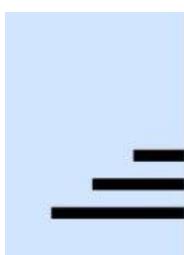
Members reported an overall growth rate in 2021 between 4–5%.

In **Belgium** the legal protection market is growing much faster than the other non-life insurance branches and legal protection insurance contracts that benefit from the tax reduction are really starting to pick up. It shows that legal protection in Belgium is a product that is well received, although premiums are rather high. But it shows that people appreciate the services because legal protection in Belgium does not only cover lawyer and court fees but also services in the pre-court phase. Because the product is popular more multi-branch insurers start investing in legal protection which makes the market much more competitive. Even AXA has started a new brand which is called “Legal Village” (<https://www.legalvillage.be/>).

In **France**, contrary to expectations, claims did not explode due to Covid but remained rather stable. However, compared to two years ago, the request for prevention and information has increase by 30–50%. Presently, there are no specific legal project regarding legal protection but there is a topical discussion going on between lawyers and insurers about profession secrecy.

The overall economic situation in **Austria** is positive with GDP growing by 4–5%, unemployment decreasing. Like in Belgium, legal protection insurance is growing faster than the other non-life markets and there have been less cancellations of contracts than in previous years. After expiring of state support schemes in summer an increase of bankruptcies and thus an increase of cancellations in the commercial books of LPI are expected.

The **Canadian** market is basically facing the same challenges as the other markets. Presently, the question of regulating Third Party Litigation Funding is high on the agenda as the Canadian Supreme Court is preparing a position on this topic after it already issued a written reasoning in May 2020 in favour of Litigation Funding (<https://woodsfordlitigationfunding.com/supreme-court-of-canada-supports-litigation-funding/>) which is seen as a means of access to justice. Also, there has been a court decision reinforcing the free choice of lawyer versus the use of panel lawyers in Canada. Please note: the free choice of lawyer has been brought to Canada by foreign insurers that established in the market and introduced the subject of the free choice of lawyer.



In **South Africa** the impact of Covid-19 is still quite present with only 25% of the population being fully vaccinated. There is a marginal growth in the sector. At present we have seen a slight decline in claims reported. What has been great to note is the acceleration of digital transformation, e.g. LegalWise recently launched face-to-face digital consultations via Zoom and WhatsApp. At present we continue to await the decision from the Regulator and Government regarding the status and recognition of paralegals. This development will have an impact on insurers' business models. In collaboration with the University of Stellenbosch, LegalWise recently joined a class action on behalf of 100 members. This was only the 8<sup>th</sup> class action certified in South Africa, however interesting to note that the courts were very reluctant to grant a joinder of action to recognise a legal expenses insurer as a party to the proceedings, given that the class action was an opt-out. Despite the view of the court, class actions can further the ends of the legal protection insurers going forward.

Based on the figures January-June the German Insurance Association (GDV) forecast for **Germany** a growth in the legal protection market of 4%; the GDV projects a combined ratio of 102% for 2021 which means a negative technical result for two consecutive years. There are various reasons for this, one being an increase in claims due to Covid and the second being an increase in tariffs for lawyer fees (10%) which had actually been expected for the end of 2021 but already went into force in January 2021. The effect on the claims side is an increase by 13% which is quite a burden for the sector. But there is another big issue: Dieselgate which, meanwhile, has become the biggest legal protection claim in German history with more than 1 billion Euro costs. This, however, is not the end because insurers see many new claims coming in with other car brands than Volkswagen and other engines, e.g. ships. Moreover, the old claims become more expensive because you have to increase reserves. Therefore, the market is technically not in a good situation and it can be expected that premiums will have to be increased to meet these developments. There are also new legal developments. One is the so-called legal tech law which passed the German parliament on 1 October 2021. The idea of this law is to create an equilibrium between lawyers and legal techs. The German lawyers are not very happy with this law because they simply do not want legal techs. However, there are lawyers who are actually starting to adapt their business models to profit from this new legislation. The other initiative is the introduction of company criminal law. Presently, only the management can be made responsible and with the new law it would be possible not only to sue the management for damages but also the companies as legal entities. This law has been put on ice until the new German government has been inaugurated. For legal insurers this new law could open a new and interesting market.

In **the Netherlands** growth is minimal and presently it is extremely difficult for any company to hire new staff. The market for legal protection is saturated and therefore many insurers are looking for new business models which is complicated because employing barristers is not possible unless the company is run by a barrister. There is one exception: legal protection insurance companies which can employ their own barristers. However, there is political pressure to open up the market and this could have an interesting impact on the development of new business models in the Netherlands.

Moreover, on 29 October 2021 an important decision by the Kifid Appeals Committee of the Financial Services Disputes Committee's (Kifid) was published concerning the free choice of lawyer. This decision is crucial and a big relief because, contrary to the Kifid's original decision, the Appeals Committee does not grant insured persons the free choice of lawyer regardless whether there is a connection with an inquiry or proceedings. More information will be available on the LPI website.

**Hungary** faces a problem similar to the Netherlands as it has almost become impossible to find staff, also due to the fact that salaries have risen in certain segments by approx. 40-50% and, since lawyer fees have also increased their fees dramatically, claims costs have also been very high. Recently, the government has put 2 transactions regarding the sales of insurance companies on hold with the argument that these transactions are a national security issue.

Most issues in the **United Kingdom** are currently regulatory, for instance looking at levels of commissions which can be as high as 60%. The regulator is evaluating value measures, i.e. whether administering the policy is really worth something. A problem presents, for instance, the practice of tacit renewal of add-on policies tied to motor insurance which is, contrary to legal protection, a compulsory insurance.